MINUTES

PHYSICIAN WORKFORCE AND ACCREDITATION TASK FORCE

January 23, 2009
Room 784—Docking State Office Building

Members Present

Representative Brenda Landwehr, Chairperson
Senator Vicki Schmidt, Vice-chairperson
Senator Laura Kelly
Representative Raj Goyle
Dr. Andy Allison, Kansas Health Policy Authority
Mr. Kevin Conlin, Via Christi Health System
Dr. Glendon Cox, University of Kansas Medical Center-Kansas City
Ms. Jill Docking, Kansas Board of Regents
Dr. Garold Minns, University of Kansas School of Medicine-Wichita
Dr. Robert Moser, Jr., Greeley County Health Care Services
Mr. Hugh Tappan, Wesley Medical Center

Members Absent

Mr. Scott Taylor, Kansas Hospital Association
Dr. Linda Warren, Warren Clinic

Staff Present

Melissa Calderwood, Kansas Legislative Research Department
Corey Carnahan, Kansas Legislative Research Department
Kelly Navinsky-Wenzl, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Norm Furse, Office of the Revisor of Statutes
Connie Burns, Committee Assistant
Janet Grace, Committee Assistant

Conferees

Barbara Atkinson, M.D., University of Kansas School of Medicine
Frederic Chang, M.D., University of Kansas School of Medicine-Wichita
Don Brada, M.D., Wichita Center for Graduate Medical Education
Kim Meyer, Ph.D., University of Kansas School of Medicine

Scott Glasrud, University of Kansas Hospital
Penny Vogelsang, Wichita Center for Graduate Medical Education

Others Attending

See attached list.

Morning Session

The meeting was called to order at 9:00 a.m. by Chairperson Brenda Landwehr. Chairperson Landwehr informed the Task Force that report recommendations would be discussed throughout the meeting. The Chairperson noted that the Appropriations Committee is interested in the recommendations provided by the Task Force. She also stated that the Task Force needs to find long-term solutions for the issues that have been presented in previous meetings. Additionally, the Chairperson reviewed the statutory charge of the Task Force (Attachment 1).

Recommendations from the University of Kansas Medical Center

Senator Vicki Schmidt opened the discussion of the four recommendations provided by Dr. Barbara Atkinson, Dean, University of Kansas School of Medicine (KUMC) (Attachment 2). Recommendations by the University of Kansas (KU) included:

- Continue funding of $2.5 million annually for graduate medical education in Wichita;
- Seek Wichita Center for Graduate Medical Education (WCGME) remedies at the federal level;
- Continue collaboration with the Kansas Bioscience Authority (KBA) to secure funding for medical research programs in Wichita; and
- Determine a health care workforce strategy that prioritizes the greatest needs for the state and aligns resources to address those needs.

In response to the first recommendation, the Task Force discussed continuing the funding of $2.5 million for WCGME. The Task Force agreed that continuing the funding is important, but finding the money in the budget may be difficult, and discussion with legislative members in leadership may be necessary.

In response to the second recommendation, the Task Force encouraged KU to continue to work with the federal delegation for an increase in graduate medical education funding and to increase the number of residency positions that are supported nationally. The Task Force also would like the Kansas Health Policy Authority (KHPA) to find additional funding at the federal level. Dr. Andy Allison responded that there are Medicare and Medicaid dollars available for graduate medical education. Dr. Allison stated that there is a mechanism in place to make changes in the

employment status for the physicians at both KU campuses to allow for additional federal reimbursement. Dr. Allison referenced the press release from the KHPA regarding an estimated $8.8 million in additional Medicaid funding that Kansas will receive in Federal Fiscal Year 2009 (Attachment 3).

The Task Force discussed the possibility of increasing federal funding by making changes in the employment status for physicians and residents at WCGME. Dependent upon the number of status changes, an estimate of between $2.0 million and $3.0 million in federal funding would become available. Dr. Don Brada noted that a majority of the physicians in Wichita are not currently employed by the state, and are either employed by Wesley, Via Christi, or self employed. The residents in Wichita are all employees of WCGME. Dr. Brada stated that the interest of physicians converting to becoming a state employee is not high. The Task Force believes that status changes could be a potential funding source; however, there are concerns that details need to be reviewed before decisions can be made. The Task Force would like to create a subcommittee with Dr. Rick Kellerman as the chairperson. The subcommittee would review various issues related to the feasibility of physicians in the Wichita residency program becoming state employees. The subcommittee would include a representative from each of the WCGME partners, Dr. Allison, and other interested parties. A status update would be provided at a future date.

The Task Force discussed the third recommendation from KU and how the budget reduction will affect the ability of the KBA to provide funding to WCGME. The Task Force noted that recruitment, research, and a quality program are at risk if funding is not guaranteed. The Task Force expressed concerns that the KBA is facing budget cuts and even though money has been set aside for WCGME, the money has yet to be allocated. The Task Force reviewed the North American Industry Classification System (NAICS) codes from the Department of Revenue which are received by the KBA (Attachment 4). The Task Force discussed the possibility of diverting some of the NAICS codes to be used as a dedicated source to partially fund graduate medical education. The Chairperson noted that a representative from the Department of Revenue would be in attendance later to address questions related to the NAICS codes. The Task Force also reviewed a synopsis of the grant by the KBA and WCGME (Attachment 5).

The fourth recommendation from KU discussed a review of the multiple studies and recommendations from the various committees and interested entities. The goal of the review would be to determine a single set of recommendations that could be prioritized and implemented to address the concerns of the physician workforce shortage and allocation of resources. The Task Force expressed support for this recommendation.

Concerning KU's fourth recommendation, the Task Force discussed the need for workforce planning. Dr. Allison stated that workforce planning entails more than just reimbursement for graduate medical education, but also includes reimbursement for physician services, the location of physicians, and what the physician workforce will look like in the next five to ten years. Dr. Allison explained that the current workforce data being collected is incomplete and that some data is inconsistent. Dr. Allison encouraged the Task Force to promote the collection, maintenance, and use of data to assist in workforce planning. Dr. Allison stated that it would be possible to work with the Kansas Department of Health and Environment to collect additional workforce data.

The Task Force expressed concern that there is not a mechanism in place to look at the future of the physician workforce. Dr. Atkinson stated that there is no national coordinated effort to address the workforce shortage or the mal-distribution of doctors. Dr. Atkinson explained that the Association of American Medical Colleges has asked every medical school to increase class size by 30 percent to decrease the workforce shortage; however, KU does not have the facilities or faculty to do so. An additional issue discussed was the need for an increase in residency positions.

Without the increase in residency positions, schools are essentially producing the same number of doctors because the schools are pushing out international medical graduates. Also, the federal government has been a major contributor for graduate medical education funding. The federal government capped graduate medical education funding as part of a cost containment effort and has not greatly adjusted the funding since 1996. KUMC has agreed to add 100 resident positions over the federal cap and is not receiving any graduate medical education funding for the positions. St. Luke's Hospital also has agreed to add approximately 100 positions to provide more residency positions.

Department of Revenue - NAICS Codes

Richard Cram and Kathleen Smith from the Kansas Department of Revenue discussed the distribution of the NAICS codes. In response to questions from members of the Task Force, the representatives responded that the salaries for state universities are not included in the total; however, the salaries are approximately $5.0 million, and the records of the state universities and the bioscience companies are maintained separately. The Department of Revenue will provide additional information on the salaries for state universities. The Task Force received clarification on the NAICS codes and the specific areas for different facilities, such as specialty hospitals.

The focus of funding also was addressed by the Task Force. The Task Force determined that the focus should be to fund graduate medical education as a whole, and not a single program. By focusing on funding graduate medical education as a whole, the Task Force will be able to benefit all medical education programs.

The Chairperson noted that the recommendations included in the report will serve as a short-term solution until a long-term solution can be addressed. A long-term solution requires more time to obtain and review data such as Medicare dollars, make recommendations, and then implement the recommended changes.

The Chairperson noted that staff has provided background information concerning the Kansas Bioscience Authority from the *2009 Kansas Legislator Briefing Book* (Attachment 6).

Dr. Moser provided a brief overview of the work of the Kansas Primary Care Collaborative.

Afternoon Session

Department of Labor - NAICS Codes

The Task Force discussed the funding aspects of graduate medical education and the ability to find funds from different sources and use them as a dedicated revenue stream. It was noted that the KBA is experiencing funding cuts. Representatives from the Department of Labor were available to assist the Task Force in reviewing the NAICS codes as a potential tool in providing funding (Attachment 7). The Department of Labor representative explained that the NAICS code system is an industry classification system that groups establishments into industries based on the activities in which they are primarily engaged. The representatives explained the various NAICS codes the Task Force was interested in.

WCGME Budget

The Task Force discussed WCGME's budget issues including the previous budget, current budget issues, and the future budget. Lana Oleen provided funding components and rationale for the WCGME budget (Attachment 8). Ms. Oleen stated that for the FY 2009 budget, $9.6 million was suggested by the Legislature, with $7.1 million of the funding to come from the KBA. Of the $9.6 million, only $2.5 million actually was funded; $1.0 million was applied to rural rotations and related issues, while $1.5 million was applied to address accreditation issues.

Ms. Oleen stated that for the WCGME program to continue in its current capacity, a minimum of $6.5 million is needed for FY 2010. If WCGME does not receive the $6.5 million, the program may be cut. The $6.5 million request is divided into three components: $2.5 million is requested to be a sustainable funding source and to be used to recruit and retain faculty and to address accreditation requirements; $1.0 million is to reimburse resident physicians training in rural rotations; and $3.0 million is to offset the current shortfall of the WCGME hospitals. Ms. Oleen also noted that the KBA money of $2.9 million is verbally committed but is not guaranteed.

Via Christi and Wesley, the two hospitals participating in WCGME, have funded the program at a loss of approximately $2.0 million a year. Representatives of the hospitals have stated that they will continue to fund the program for 2009, but cannot do so indefinitely. The hospital representatives said they are committed to the current group of residents because they are employed, but the main issue for the hospitals is whether to continue the program and recruit students from the upcoming class.

Report Recommendations

The Task Force recommended the following items be included in the final report to the 2009 Legislature:

- For FY 2009, the Legislature not reduce the $2.5 million appropriation provided to WCGME;

- For FY 2010, the Legislature should include an appropriation proviso to increase funding for WCGME by $6.5 million and to increase funding for the KU School of Medicine graduate medical education program by $1.4 million to help offset a portion of the losses the programs are experiencing and to better ensure the continued participation of the various hospitals in the state's graduate medical education program;

- For FY 2010 and subsequent fiscal years, the Legislature should consider alternative, sustainable funding sources for the state's graduate medical education program to help offset the losses in federal graduate medical education funding;

- That all relevant parties continue to work with the state's congressional delegation and with President Obama's administration to modify federal restrictions on graduate medical education funding and to increase the number of resident positions supported nationally;

- That all relevant parties continue efforts to identify ways to increase existing funding sources such as Medicare and Medicaid, and to identify alternative funding sources to support the state's graduate medical education program;

- That all relevant parties continue efforts to identify ways to improve the quality, accuracy and timeliness of physician workforce capacity data and to offer guidance to the various state agencies and organizations who participate in the collection of the data;

- That all relevant parties continue efforts to develop a single set of recommendations to drive a statewide strategy to address workforce shortages; and

- That all relevant parties continue to review the current structure of graduate medical education in Kansas to determine the most optimal structure to accommodate the growing importance of the graduate medical education program to the state.

The Task Force also discussed the formation of two Task Force subcommittees to be chaired by Jill Docking and Dr. Bob Moser to further address issues.

The next Task Force meeting will be determined at a later date.

The meeting was adjourned at 2:45 p.m.

Prepared by Janet Grace
Edited by Terri Weber and Kelly Navinsky-Wenzl

Approved by Task Force on:

January 5, 2010
(Date)

2008 PHYSICIAN WORRKFORCE AND ACCREDITATION TASK FORCE
GUEST LIST

DATE 1/23/08

Ron Hein	HCA / Wesley
Julie Hein	HCA
Berend Koops	HCA
Christin Sheldon	Polsinelli
Rick Kellerman	KUSM-W
Lana Oleen	WXGHE
[illegible]	KMPA
Amy Jordan Wooden	KU Medical Center
David A Grainger	KU - Wichita
Ron Whiting	WBCHC
Douglas D Bradham	KUMC - Wichita
Laurie Labonte	Via Christi
Cindy Ainsworth	Wesley
Carolyn Gaughan	Ks. Acad. of Fam. Phys.
[illegible]	KMS
Dan Morin	Kansas Medical Society
Kim Meyer	KUMC - KC
Carolyn Smith	VCHS
Chris Tilden	KDHE
Jeannie Koranda	Eagle
Joe DeSimone	Schmidt, D.
Cynthia Smith	SCL Health System

Current as of: October 21, 2008

2008 Physician Workforce and Accreditation Task Force

Senate	House
Sen. Vicki Schmidt, Vice-Chair	Rep. Brenda Landwehr, Chair
Sen. Laura Kelly	Rep. Raj Goyle

Non-Legislative Members

Dr. Andy Allison, Kansas Health Policy Authority
Mr. Kevin Conlin, Via Christi Health System
Dr. Glendon Cox, KU Medical Center-Kansas City
Ms. Jill Docking, Board of Regents
Dr. Garold Minns, KU School of Medicine-Wichita
Dr. Robert Moser, Jr., Governor's Appointee
Mr. Hugh Tappan, Wesley Medical Center
Mr. Scott Taylor, Kansas Hospital Association
Dr. Linda Warren, Governor's Appointee

Kansas Legislative Research Department	Revisor of Statutes Office
Terri Weber, Audrey Dunkel, Corey Carnahan Connie Burns, Committee Secretary	Norm Furse, Theresa Kiernan

CHARGE:

The Task Force is to study and adopt recommendations regarding the physician work force and accreditation issues, including:

1. How best to maintain accreditation of graduate medical education programs sponsored by the University of Kansas School of Medicine in Kansas City and Wichita, with special attention to maintaining the existing partnerships with Via Christi Regional Medical Center, Wesley Medical Center and the University of Kansas Medical Center - Wichita;

2. Recommendations for the necessary and appropriate level of funding for graduate medical education sponsored by the University of Kansas;

3. Alternative means of obtaining such funding; and

4. A strategic plan to accomplish such matters.

Physician Workforce and Accreditation Task Force
1-23-09
Attachment 1

KU THE UNIVERSITY OF KANSAS
Medical Center

January 22, 2009

Madam Chair and Members of the Task Force:

Thank you for your commitment of time and energy toward the work of this important task force on physician workforce shortages and graduate medical education. As you know, these issues are complicated and involve a multitude of stakeholders with no easy solutions at our disposal. I am hopeful, however, that the task force members have a better understanding of the complexity of ensuring an adequate health care workforce as well as the magnitude of money, effort, commitment and coordination necessary to train physicians following graduation from medical school. The University of Kansas School of Medicine is proud to be the only medical school in Kansas and, as such, we take our responsibility of training physicians for the state very seriously. Regardless of the outcomes from this task force, you can be sure that we remain steadfast in our commitment to the absolute best medical education – both undergraduate and graduate - and our desire to always evolve our programs to meet the changing health care needs of our state and nation.

I hope the task force will consider the following suggestions as they deliberate recommendations for the legislature:

1. **Continue funding of $2.5 million annually for graduate medical education in Wichita.**
New restrictions in federal funding for graduate medical education (GME) are straining programs across the nation and, because we have a community-based model for training physicians in Wichita, these cutbacks at the federal level are especially difficult to accommodate. Direct state support for our GME programs in Wichita is necessary since the program trains a significant number of primary care doctors and administering training for these doctors tends to be more expensive than training for many specialties.

2. **Seek GME remedies at the federal level.**
Work with the federal congressional delegation and Obama administration officials to overturn federal restrictions on GME funding that were imposed during the Bush administration, and work toward increasing the number of resident positions supported nationally in order to provide training for additional medical school graduates. In addition, the Kansas Health Policy Authority recently worked with KU faculty physicians in Kansas City and Wichita to secure an additional $8.8 million in federal Medicaid funds. The KHPA should continue to work with the KU School of Medicine in Kansas City and Wichita, as well as our hospital partners, to fully exhaust any opportunities to draw down additional federal Medicaid dollars.

Physician Workforce and Accreditation Task Force
1-23-09 Attachment 2

3. Continue collaboration with the Kansas Bioscience Authority to secure funding for medical research programs in Wichita.
Implement the research proposal, funded by the KBA in 2008, to assure adequate scholarly activity is present in Wichita to address any accreditation citations in GME programs. In addition, building a clinical and translational medical research infrastructure in Wichita will not only enhance patient care, but drive economic development in the region. If a research infrastructure is properly built, this initiative should secure significant external grant funding and become self-sustaining over the next three to five years.

4. Determine a health care workforce strategy that prioritizes the greatest needs for the state and aligns resources to address those needs.
A number of studies and corresponding recommendations have been completed over the last several years related to workforce shortages. However, what has not been completed is the development of a single set of recommendations to drive a statewide strategy to address workforce shortages and allocate resources accordingly. As the gap widens between the number of patients and the number of providers, as well as the mal-distribution of those providers, Kansas must articulate a set of solutions to reverse this trend. Such a strategy could be developed in concert with the Kansas Health Policy Authority as the agency responsible for the coordination of "health and health care" for the state, the Kansas Board of Regents as the governing board responsible for most of the higher education in the state and the University of Kansas, which has a number of health professional programs including the state's only medical school.

Specific to the discussions regarding graduate medical education in Wichita, I am excited by the progress we are making in recruiting a new dean to our School of Medicine in Wichita. My hope is that the new dean will begin work this summer and immediately review many of the issues the task force discussed related to the programs in Wichita. With new leadership in place, I am confident we can work toward ensuring the continued quality and long-term sustainability of our GME programs in Wichita. You can be sure I will be notifying the task force once a new dean has been named.

Thank you again for the opportunity to participate in the discussions of the task force and thank you again for your dedication to this critically important effort. As always, please let me know if I can answer any questions.

Sincerely,

Barbara Atkinson MD

Barbara F. Atkinson
Executive Vice Chancellor, KU Medical Center
Executive Dean, KU School of Medicine

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KU Hospital Clinics, Physicians, Get Boost in Medicaid Funding

Change Brings $8.8 Million in New Funding for Outpatient Care

The state of Kansas will receive an estimated $8.8 million in additional Medicaid funding this year to pay for care provided by University of Kansas faculty physicians and associated outpatient clinics in Kansas City and Wichita. The new funding is the result of a change in the state Medicaid plan that was approved recently by the Centers for Medicare and Medicaid Services (CMS), the agency that oversees federal Medicaid spending. The Kansas Health Policy Authority requested the change in February at the request of Dr. Barbara Atkinson, executive vice chancellor of the KU Medical Center and executive dean of the KU School of Medicine, and of officials at the University of Kansas Hospital.

The State Plan Amendment (SPA) recognizes that physicians who teach at the School of Medicine serve a high volume of Medicaid patients, with reimbursement rates below their actual costs, and that due to their teaching and research responsibilities their losses cannot be offset by higher paying patients.

This change does not require any additional state funding, but merely recognizes that certain money already being spent by the state is eligible for federal Medicaid matching funds. In Kansas, the federal government pays approximately 60 percent of the cost of Medicaid services while the state pays the remaining 40 percent.

The SPA will bring new money to the two University of Kansas physician faculty practice groups – the University of Kansas Physicians, Inc. (KUPI) in Kansas City, and the Medical Practice Association (MPA) in Wichita. It will also provide additional funding for the KU Hospital Outpatient Clinic and KU Hospital Outpatient Lab.

"I want to thank the Kansas Health Policy Authority for re-examining the federal reimbursement rates and our faculty physicians," said Dr. Atkinson. "Ultimately, this additional revenue will allow us to better serve Kansas patients who might otherwise go without care."

Kansas Medicaid Director Dr. Andrew Allison said, "This is one of several steps we have taken to ensure adequate reimbursement for providers who give care to underserved populations in Kansas. It is timely and appropriate for the federal government to recognize our partnership with medical professionals in public universities. They provide for the health needs of some of the poorest Kansans. Allowing additional reimbursement to these critical providers will do just that."

(more)

Physician Workforce and Accreditation Task Force
1-23-09
Attachment 3

"This new rate structure is a result of the hospital, university and the state working together to benefit physicians and their patients," said Bob Page, president and CEO of the University of Kansas Hospital. "The hospital is providing the state funds to bring in the federal dollars. The level of cooperation will continue to benefit the people of Kansas."

The estimated additional federal money resulting from the SPA in Federal Fiscal Year 2009 will be distributed as follows:

KUPI - KCK	$3,618,240
KUH Physicians	651,134
MPA – Wichita	2,254,365
KUH Outpatient Cost	2,194,350
KUH Outpatient Lab	58,850
Total:	**$8,776,939**

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KANSAS BIOSCIENCE COMPANIES
Distributions by NAICS

NAICS	Description of NAICS	CALENDAR YEAR 2004		CALENDAR YEAR 2005			CALENDAR YEAR 2006					CALENDAR YEAR 2007			
		Distribution 7/1/05 Jan-Dec 2003 Jan-Dec 2004	Distribution 11/6/06 Reconciliation Jan-Dec 2003 Jan-Dec 2004	Distribution 1/27/06 Jan-Jun 2003 Jan-Jun 2005	Distribution 4/5/06 Jul-Dec 2003 Jul-Dec 2005	Distribution 11/6/06 Reconciliation Jan-Dec 2003 Jan-Dec 2005	Distribution 5/15/06 Jan-Dec 2003/4 Jan-Mar 2006	Distribution 8/2/06 Jan-Dec 2003/4 Apr-Jun 2006	Distribution 11/6/06 Jan-Dec 2003/4 Jul-Sep 2006	Distribution 2/6/07 Jan-Dec 2003/4 Oct-Dec 2006	Distribution 2/07/08 Reconcillation Jan-Dec 2003 Jan-Dec 2006	Distribution 5/7/07 Jan-Dec 2003/4 Jan-Mar 2007	Distribution 8/7/07 Jan-Dec 2003/4 Apr-Jun 2007	Distribution 11/7/07 Jan-Dec 2003/4 Jul-Sep 2007	Distribution 2/7/08 Jan-Dec 2003/4 Oct-Dec 2007
325193	Ethyl Alcohol Manufacturing	$197,648.14	$97,294.26	$19,370.54	$88,136.55	$128,591.39	$81,551.02	$67,963.99	$433,073.22	$104,040.73	$7,583.57	$79,550.49	$78,308.67	$88,382.59	$94,512.57
325199	All Other Basic Organic Chemical Manufacturing	$40,897.07	$0.00	$12,196.01	-$118,906.20	$638,664.39	$209,355.00	$195,240.94	$151,595.58	$18,337.37	$188,993.76	$246,431.95	$189,368.17	$166,480.20	$221,508.84
325311	Nitrogenous Fertilizer Manufacturing	-$1,369.75	$604.20	$1,958.10	$2,831.14	$2,583.09	-$300.16	$139.83	-$595.72	-$494.91	$2,783.65	-$390.13	$253.69	-$76.90	$79,964.60
325320	Pesticide and Other Agricultural Chemical Manufacturing														
325411	Medicinal and Botanical Manufacturing	$20,861.25	$2,372.85	-$23,605.39	$10,312.46	$40,154.46	$9,434.39	-$5,642.55	-$3,883.47	$3,379.58	$41,738.11	$7,770.78	$2,118.29	$1,170.53	$34,279.21
325412	Pharmaceutical Preparation Manufacturing														
325413	In-Vitro Diagnostic Substance Manufacturing	$344,814.73	$10,965.63	$322,925.31	$186,777.34	$48,180.11	$217,868.46	$130,786.50	$177,713.87	$112,711.70	$581,431.98	$499,090.77	$305,135.83	$350,002.51	$357,913.66
325414	Biological Product (except Diagnostic) Manufacturing	-$45,548.71	$0.28	-$8,874.27	-$43,388.16	$17,513.70	-$36,088.69	-$33,073.35	-$36,857.28	-$28,945.16	$200,503.34	$18,761.46	$16,202.26	$28,395.88	$32,002.83
334510	Electromedical and Electrotherapeutic Apparatus Manufacturing	$2,576.63	$497.34	$212.73	$1,685.86	$2,830.19	-$112.75	$581.02	$95.66	$8,056.97	-$1,172.60	-$1,097.32	-$758.83	-$232.53	$6,692.78
334516	Analytical Laboratory Instrument Manufacturing														
334517	Irradiation Apparatus Manufacturing														
339111	Laboratory Apparatus and Furniture Manufacturing	$2,550.88	$252.54	$1,544.19	$6,975.08	$1,558.80	$3,328.01	$933.35	$3,969.79	$2,877.01	$3,201.55	$2,745.10	$1,965.05	$4,872.66	$1,933.66
339112	Surgical and Medical Instrument Manufacturing	$43,016.48	$7,883.42	$101,096.57	$82,582.80	-$3,894.06	$90,064.35	$32,898.95	$113,675.67	$79,266.57	$33,115.21	$94,561.54	$81,895.82	$133,101.08	$125,772.81
339113	Surgical Appliance and Supplies Manufacturing	-$87,413.01	-$540.25	-$90,898.58	$11,368.67	$17,063.41	$12,554.99	-$12,482.20	-$3,937.20	$2,303.30	$11,442.05	-$15,510.33	-$58,768.68	-$62,864.86	-$53,187.74
339115	Ophthalmic Good Manufacturing	$2,314.72	-$1,154.50	$8,176.30	$14,712.70	$36.85	$5,290.30	$3,557.10	$1,721.43	$560.53	$4,044.33	$7,012.09	$4,260.19	$2,384.45	$7,642.86
541380	Testing Laboratories	-$32,196.45	$5,446.81	-$66,476.87	-$19,425.10	$30,736.57	-$19,729.24	-$70.51	$3,479.56	$60,242.31	$46,523.02	$10,774.99	$23,556.77	$25,272.89	$104,376.53
541710	Research and Development in the Physical, Engineering, and Life Sciences	$177,529.29	$22,117.07	$130,263.10	$181,335.93	$69,576.73	$128,572.93	$118,473.98	$121,946.86	$137,207.34	$69,010.47	$696,188.97	$502,390.34	$551,822.13	$592,798.04
541940	Veterinary Services	$127,579.72	$481.62	$125,229.39	$119,790.80	$21,302.61	$44,742.68	$51,786.88	$84,362.30	$193,415.86	$99,413.32	$27,605.75	$72,256.15	$350,779.50	$287,418.31
621511	Medical Laboratories	$848,974.07	$62.68	$840,231.71	$2,215,083.64	$15,642.81	$374,606.13	$214,633.00	$456,196.78	$647,136.66	$76,045.92	$543,309.65	$377,156.31	$462,729.98	$924,453.51
621512	Diagnostic Imaging Centers	$31,264.93	$1,244.84	-$12,598.60	-$16,883.43	$1,815.74	$620.95	-$10,520.17	-$4,990.23	$8,346.58	$50,539.87	$1,617.54	$8,902.77	$13,196.98	$38,101.57
622110	General Medical and Surgical Hospitals	$3,956,035.47	-$18,604.80	$1,862,774.92	$4,762,644.79	$746,211.37	$2,290,507.44	$3,219,751.10	$2,999,756.19	$4,348,828.26	$362,488.51	$3,798,271.77	$4,641,082.37	$4,638,254.01	$6,264,705.50
	Other	-$261,821.79	-$13,947.37	$73,957.81	-$386,567.59	-$201,920.36	$172,442.87	-$114,104.99	$58,774.13	-$39,040.74	$7,753.67	$373,201.62	$109,736.56	$412,501.37	$433,106.21
	Total	$5,367,713.67	$114,976.62	$3,297,482.97	$7,099,067.28	$1,576,647.80	$3,584,708.68	$3,860,852.87	$4,556,097.14	$5,658,229.96	$1,785,439.73	$6,389,896.69	$6,355,061.73	$7,166,172.47	$9,553,995.75
			$5,482,690.29			$11,973,198.05					$19,445,328.38				$29,465,126.64
			95% of CY 2004 KS Withholding - 95% of CY 2003 KS Withholding			95% of CY 2005 KS Withholding - 95% of CY 2003 KS Withholding					95% of CY 2006 KS Withholding - 95% of CY 2003 KS Withholding				95% of CY 2007 KS Withholding - 95% of CY 2003 KS Withholding

Physicians Workforce and Accreditation Task Force
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KANSAS BIOSCIENCE COMPANIES
Distributions by NAICS

NAICS	Description of NAICS	CALENDAR YEAR 2008 Distribution 5/7/08 Jan-Dec 2003/4 Jan-Mar 2008	Distribution 8/7/08 Jan-Dec 2003/4 Apr-Jun 2008	Distribution 11/4/08 Jan-Dec 2003/4 Jul-Sep 2008	Distribution Jan-Dec 2003/4 Oct-Dec 2008	Total Distribution	Percentage of Total Distribution
325193	Ethyl Alcohol Manufacturing	$118,601.03	$118,953.80	$113,311.94		$1,916,874.50	2.04666%
325199	All Other Basic Organic Chemical Manufacturing	$270,657.55	$274,237.64	$243,029.03		$2,948,087.30	3.14770%
325311	Nitrogenous Fertilizer Manufacturing	$98,974.11	$76,151.64	$88,966.08		$351,982.56	0.37581%
325320	Pesticide and Other Agricultural Chemical Manufacturing						
325411	Medicinal and Botanical Manufacturing	$7,930.78	-$14,934.09	-$11,489.39		$121,967.80	0.13023%
325412	Pharmaceutical Preparation Manufacturing						
325413	In-Vitro Diagnostic Substance Manufacturing	$668,977.88	$401,387.42	$454,832.31		$5,171,516.01	5.52167%
325414	Biological Product (except Diagnostic) Manufacturing	$52,781.65	$34,196.90	$48,900.70		$216,483.38	0.23114%
334510	Electromedical and Electrotherapeutic Apparatus Manufacturing	$2,320.21	$1,228.82	$1,962.38		$25,366.56	0.02708%
334516	Analytical Laboratory Instrument Manufacturing						
334517	Irradiation Apparatus Manufacturing						
339111	Laboratory Apparatus and Furniture Manufacturing	$3,802.56	$139.02	$3,104.73		$45,753.98	0.04885%
339112	Surgical and Medical Instrument Manufacturing	$159,566.08	$131,368.04	$189,767.02		$1,495,738.35	1.59701%
339113	Surgical Appliance and Supplies Manufacturing	$33,770.68	-$41,728.85	-$43,674.93		-$382,503.53	-0.40840%
339115	Ophthalmic Good Manufacturing	$14,999.54	$8,509.86	$3,558.08		$87,626.83	0.09356%
541380	Testing Laboratories	$45,731.82	$46,785.52	$61,324.54		$326,353.16	0.34845%
541710	Research and Development in the Physical, Engineering, and Life Sciences	$791,102.56	$598,101.09	$670,978.60		$5,559,415.43	5.93584%
541940	Veterinary Services	$77,380.90	$132,028.52	$158,781.88		$1,974,356.19	2.10804%
621511	Medical Laboratories	$675,651.10	$515,464.44	$493,113.33		$9,680,491.72	10.33595%
621512	Diagnostic Imaging Centers	$7,296.48	$19,320.88	$16,644.49		$153,921.19	0.16434%
622110	General Medical and Surgical Hospitals	$5,452,293.70	$6,261,251.32	$6,339,022.55		$61,925,274.47	66.11817%
	Other	$418,955.83	$308,099.31	$688,648.38		$2,039,774.92	2.17789%
	Total	$8,900,794.46	$8,870,561.28	$9,520,781.72		$93,658,480.82	100.00000%
					$27,292,137.46	$93,658,480.82	

95% of CY 2008 KS Withholding - 95% of CY 2003 KS Withholding TO DATE

Wichita Center for Graduate Medical Education (WCGME)
and Kansas Bioscience Authority (KBA)
Synopsis of Grant

· April, 2008	Kansas Legislature directs WCGME to work with KBA for $7.1M annual grant to support research-oriented efforts for WCGME in order to maintain accreditation standards and ensure continuance of current physician residency programs.
· April-August	WCGME staff and KBA staff developed working relationship through multiple meetings, site visits and KBA meetings/status reports for 5 months. A WCGME proposal was submitted to the KBA.
· August	A change occurred in an executive session of the KBA Board of Directors meeting, and the Executive Vice Chancellor/ Executive Dean of KU School of Medicine was directed to submit a different proposal. The new proposal called for $2.9M funding for the first year, and it would establish three research-related centers. Research efforts can be enhanced for the medical school in this proposal, yet it is unclear as to how these funds will address graduate medical education for WCGME's resident physician programs in the short term.
· September	KBA Board of Directors funds a $250,000 study for a strategic plan for research issues and the sustainability of WCGME.
· October	KBA Board of Directors takes action to fund the KUMC plan of $2.9M for first year, with second year possibility of $1.9M and third year possibility of $.9M, with caveat that resubmissions occur and required KBA formularies are met.
· January, 2009	Strategic study is in process, and the contract for the $2.9M grant is still under discussion between WCGME staff and KBA staff.

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Economic Development

H-2 Kansas Bioscience Authority

The Kansas Economic Growth Act (KSA 2006 Supp. 74-99c01 to 74-99c06) created the Kansas Bioscience Authority. The mission of the Authority is to make Kansas a desirable state in which to conduct, facilitate, support, fund, and perform bioscience research, development, and commercialization. In addition, the Authority is to make Kansas a national leader in bioscience, create new jobs, foster economic growth, advance scientific knowledge, and, therefore, improve the quality of life for all Kansas citizens.

Governance

- The Kansas Bioscience Authority is governed by an 11-member Board of Directors.
  - Nine members are voting members representing the general public who demonstrate leadership in finance, business, bioscience research, plant biotechnology, basic research, health care, legal affairs, bioscience manufacturing or product commercialization, education, or government. In addition, one member of the Board is to be an agricultural expert who is recognized for outstanding knowledge and leadership in the field of bioscience.
  - The Governor, the Speaker of the House, and the President of the Senate will each appoint two Board members, and the House Minority Leader, Senate Minority Leader, and Kansas Technology Enterprise Corporation (KTEC) will each appoint one member.
  - Two non-voting members of the Board are to be representing state research universities and have research expertise and represent Kansas universities.

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- The voting members are subject to Senate confirmation and will serve four-year terms after conclusion of the initial term, with no more than three consecutive four-year terms.

- The Bioscience Authority is to be headquartered in the county with the highest number of bioscience employees associated with bioscience companies.

- The Authority, with state universities, will identify and recruit eminent and rising star scholars; jointly employ personnel to assist or complement eminent and rising star scholars; determine types of facilities and research; facilitate integrated bioscience research; and provide matching funds for federal grants.

Powers

- The powers of the Authority include the following duties:

  - Oversee the commercialization of bioscience intellectual property created by eminent and rising star scholars.

  - Own and possess patents and proprietary technology, and enter into contracts for commercialization of the research.

  - Incur indebtedness and enter into contracts with the Kansas Development Finance Authority (KDFA) for bonding to construct state-of-the art facilities owned by the Authority. Neither the State of Kansas nor Kansas Development Finance Authority would be liable for the bonds of the Authority.

- Purchase, lease, trade, and transfer property. Architecture and construction requirements similar to those affecting the research universities research facilities also would apply.

- Solicit and study business plans and proposals.

- Establish a contractual relationship with Kansas Technology Enterprise Corporation (KTEC) and the National Institute for Strategic Technology Acquisition and Commercialization (NISTAC) for the first five years of operation.

- A repayment agreement would be required for any bioscience company that receives grants, awards, tax credits or any other financial assistance, including financing for any bioscience development project, if the company relocates operations associated with the funding outside Kansas within 10 years after receiving such financial assistance. The Authority would be required to specify the terms of the repayment obligation and the amount to be repaid.

- Eminent domain would not be allowed to be used to secure agricultural land for a bioscience project.

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Revenues and Fund Uses

- **Emerging Industry Investment Act** (also part of 2004 HB 2647) creates the Bioscience Development Investment Fund which will not be a part of the state treasury.

  - Funds in the Bioscience Development Investment Fund belong exclusively to the Authority. The Secretary of Revenue and the Authority establish the base year of taxation for all bioscience companies and all state universities conducting bioscience research in the state.

  - The Secretary of Revenue, the Authority, and the Board of Regents establish the number of bioscience employees associated with state universities and determine and report the incremental increase from the base annually for the following 15 years from the effective date of the Act.

  - All of the incremental state taxes generated by the growth of bioscience companies and research institutions over and above the base taxation year go into the Fund. The baseline amount of state taxes goes to the State General Fund each year. The Bioscience Development Investment Fund is to be used to fund programs and repay bonds.

- **Bioscience Development Financing Act** (created in the bill) allows the creation of tax increment financing districts for bioscience development.

  - One or more bioscience development projects could occur within an established bioscience development district.

  - The process for establishing the district follows the tax increment financing statutes. However, no bioscience development district can be established without the approval of the Authority.

  - Counties are allowed to establish bioscience development districts in unincorporated areas.

  - Kansas Development Finance Authority may issue special obligation bonds to finance a bioscience development project. The bonds are to be paid off with ad valorem tax increments, private sources, contributions, or other financial assistance from the state and federal government.

  - The bill creates the Bioscience Development Bond Fund which will be managed by the Authority and not be part of the state treasury. A separate account is created for each bioscience development district

(BDD) ,and distributions will pay for the bioscience development project costs in a bioscience development district.

- **Bioscience Tax Investment Incentive Act** (created in the bill) makes additional cash resources available to start-up companies.
  - The bill creates the Net Operating Loss (NOL) Transfer Program.
  - The Program allows the Bioscience Authority to pay up to 50 percent of a bioscience company's Kansas NOL during the claimed taxable year.
  - The Program will be managed by the Kansas Department of Revenue and is capped at $1.0 million for any one fiscal year.
- **Bioscience R & D Voucher Program Act** (created in the bill) establishes the Bioscience R & D Fund in the state treasury.
  - The Fund could receive state appropriations, gifts, grants, federal funds, revolving funds, and any other public or private funds.
  - The Program requires that any Kansas companies conducting bioscience research and development apply to the Authority for a research voucher. After receiving a voucher, the company will then locate a researcher at a Kansas university or college to conduct a directed research project.
  - At least 51 percent of voucher award funds would be expended with the university in the state under contract and could not exceed 50 percent of the research cost.
  - The maximum voucher funds awarded cannot exceed $1.0 million, each year for two years, and can not exceed 50 percent of the research costs. The company is required to provide a one-to-one dollar match of the project award for each year of the project.
- Bioscience Research Matching Funds Act (created in the bill) establishes the Bioscience Research Matching Fund to be administered by the Authority.
  - The recipients must be bioscience research institutions and institutions are encouraged to jointly apply for funds. The funds would be used to promote bioscience research and to recruit, employ, fund, and endow bioscience faculty, research positions, and scientists at universities in Kansas.
  - Application for the matching funds must be made to the Authority.

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What is NAICS and how is it used?

The North American Industry Classification System (NAICS, pronounced Nakes) was developed under the direction and guidance of the Office of Management and Budget (OMB) as the standard for use by Federal statistical agencies in classifying business establishments for the collection, tabulation, presentation, and analysis of statistical data describing the U.S. economy. Use of the standard provides uniformity and comparability in the presentation of these statistical data. NAICS is based on a production-oriented concept, meaning that it groups establishments into industries according to similarity in the processes used to produce goods or services. NAICS replaced the Standard Industrial Classification (SIC) system in 1997.

NAICS was initially developed and subsequently revised by Mexico's INEGI, Statistics Canada, and the U.S. Economic Classification Policy Committee (the latter acting on behalf of OMB). The goal of this collaboration was to produce common industry definitions for Canada, Mexico, and the United States. These common definitions facilitate economic analyses of the economies of the three North American countries. The statistical agencies in the three countries produce information on inputs and outputs, industrial performance, productivity, unit labor costs, and employment. NAICS, which is based on a production-oriented concept, ensures maximum usefulness of industrial statistics for these and similar purposes.

NAICS in the United States was designed for statistical purposes. However, NAICS is frequently used for various administrative, regulatory, contracting, taxation, and other non-statistical purposes. For example, some state governments offer tax incentives to businesses classified in specified NAICS industries. Some contracting authorities require businesses to register their NAICS codes, which are used to determine eligibility to bid on certain contracts. The requirements for these non-statistical purposes played no role in the initial development of NAICS or its later revisions.

Various agencies and organizations have also begun using NAICS as a basis for their procurement programs, requiring that a NAICS code be provided for each good or service to be procured. NAICS is an industry classification system, not a product classification system, and therefore neither intended nor well suited for this purpose. The North American Product Classification System (NAPCS) is currently under development under the direction and guidance of OMB and also in collaboration with Canada and Mexico. This system is intended to incorporate all of the outputs/ products of the industries defined in NAICS, with "product" referring to goods produced and services provided. For statistical purposes, a business establishment is assigned one NAICS code, based on its primary business activity. Once NAPCS is complete, multiple NAPCS codes could be linked to any one establishment to indicate its various products.

Purpose of NAICS

NAICS is an industry classification system that groups establishments into industries based on the activities in which they are primarily engaged. It is a comprehensive system covering the entire field of economic activities, producing and nonproducing. There are 20 sectors in NAICS and 1,170 industries in NAICS United States.

NAICS was developed by Mexico's INEGI, Statistics Canada, and the U.S. ECPC (the latter acting on behalf of OMB) to provide common industry definitions for Canada, Mexico, and the United States that will facilitate economic analyses of the economies of the three North American countries. The statistical agencies in the three countries produce information on inputs and outputs, industrial performance, productivity, unit labor costs, and employment. NAICS, which is based on a production-oriented concept, ensures maximum usefulness of industrial statistics for these and similar purposes.

NAICS United States will be used by U.S. statistical agencies to: facilitate the collection, tabulation, presentation, and analysis of data relating to establishments, and to provide uniformity and comparability in the presentation of statistical data describing the U.S. economy. NAICS United States is designed for statistical purposes. Although the classification also may be used

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for various administrative, regulatory and taxation purposes, the requirements of government agencies that use it for nonstatistical purposes played no role in its development.

Development of NAICS

The U.S. ECPC established by OMB in 1992 was chaired by the Bureau of Economic Analysis, U.S. Department of Commerce, with representatives from the Bureau of the Census, U.S. Department of Commerce, and the Bureau of Labor Statistics, U.S. Department of Labor. The ECPC was asked to examine economic classifications for statistical purposes and to determine the desirability of developing a new industry classification system for the United States based on a single economic concept. On March 31, 1993, OMB published a **Federal Register** Notice (58FR16990-17004) announcing the intention to revise the SIC for 1997, the establishment of the ECPC, and the process for revising the SIC.

The ECPC established seven subcommittees composed of senior economists, statisticians, and classification specialists representing 20 of the Federal agencies that use the SIC for statistical programs. Those subcommittees, which were Agriculture, Forestry, and Fishing; Manufacturing and Mining; Construction; Distribution Networks (retail trade, wholesale trade, and transportation, communications, and utilities); Finance, Insurance, and Real Estate; Business and Personal Services; and Health, Social Assistance, and Public Administration, were responsible for developing the proposed structure of NAICS in cooperation with representatives from INEGI and Statistics Canada. The ECPC also established the U.S. Coordinating Committee that was responsible for coordinating the work of the U.S. subcommittees and the work with INEGI and Statistics Canada.

In July 1994, the OMB announced plans to develop a new industry classification system in cooperation with Mexico's INEGI and Statistics Canada. The new system-NAICS-replaces the current U.S. SIC. The concepts of the new system and the principles upon which NAICS was to be developed were announced in a July 26, 1994 **Federal Register** (59FR38092-38096) notice and were as follows:

1. NAICS will be erected on a production-oriented or supply-based conceptual framework. This means that producing units that use identical or similar production processes will be grouped together in NAICS.

2. The system will give special attention to developing production-oriented classifications for (a) new and emerging industries, (b) service industries in general, and (c) industries engaged in the production of advanced technologies.

3. Time series continuity will be maintained to the extent possible. However, changes in the economy and proposals from data users must be considered. In addition, adjustments will be required for sectors where the United States, Canada, and Mexico have incompatible industry classification definitions in order to produce a common industry system for all three North American countries.

4. The system will strive for compatibility with the two-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC, Rev. 3) of the United Nations.

The structure of NAICS was developed in a series of meetings among the three countries. Public proposals for individual industries from all three countries were considered for acceptance if the proposed industry was based on the production-oriented concept of the system. In the United States, public comments also were solicited as groups of subsectors of NAICS were completed and agreed upon by the three countries. The ECPC published the proposed industries for those

subsectors in a series of five successive **Federal Register** notices, in 1995 and 1996, asking for comments from interested data users.

Conceptual Framework

NAICS is erected on a production-oriented or supply-based conceptual framework in that establishments are grouped into industries according to similarity in the processes used to produce goods or services. A production-oriented industry classification system ensures that statistical agencies in the three countries can produce information on inputs and outputs, industrial performance, productivity, unit labor costs, employment, and other statistics and structural changes occurring in each of the three economies.

When an industry is defined on a production-oriented concept, producing units within the industry's boundaries share a basic production process; they use closely similar technology. In the language of economics, producing units within an industry share the same production functions; producing units in different industries have different production functions. The boundaries between industries thus demarcate, in principle, differences in production processes and production technologies.

The reasoning behind the three countries' decision to base NAICS on a production-oriented concept is summarized as follows: An industry is a grouping of economic activities. Though it inevitably groups the products of the economic activities that are included in the industry definition, it is not solely a grouping of products; put another way, an industry groups producing units. Accordingly, an industry classification system provides a framework for collecting data on inputs and outputs together.

The uses of economic data that require that data on inputs and outputs be used together and be collected on the same basis, include production analyses, productivity measurement, and studying input usage and input intensities. The North American statistical agencies developed NAICS using a production-oriented concept as the framework for two reasons: an industry classification system groups producing units, not products or services; and groupings of producing units permit the collection of data on inputs and outputs on a comparable basis, which is required for production-oriented analysis, but do not facilitate a comprehensive collection of data on the total output of any particular product or service, which is required for market-oriented analysis. Thus, the efficient organizing concept of an industry classification system is production-oriented rather than market-oriented.

Structure of NAICS

The structure of NAICS is hierarchical, much like that of the 1987 SIC. The first two digits of the structure designate the NAICS sectors that represent general categories of economic activities.

NAICS classifies all economic activities into 20 sectors. The NAICS sectors, their two-digit codes, and the distinguishing activities of each are:

11 Agriculture, Forestry, Fishing and Hunting-Activities of this sector are growing crops, raising animals, harvesting timber, and harvesting fish and other animals from farms, ranches, or the animals' natural habitats.

21 Mining-Activities of this sector are extracting naturally occurring mineral solids, such as coal and ore; liquid minerals, such as crude petroleum; and gases, such as natural gas; and beneficiating (e.g., crushing, screening, washing, and flotation) and other preparation at the mine site, or as part of mining activity.

22 Utilities-Activities of this sector are generating, transmitting, and/or distributing electricity, gas, steam, and water and removing sewage through a permanent infrastructure of lines, mains, and pipe.

23 Construction-Activities of this sector are erecting buildings and other structures (including additions); heavy construction other than buildings; and alterations, reconstruction, installation, and maintenance and repairs.

31-33 Manufacturing-Activities of this sector are the mechanical, physical, or chemical transformation of material, substances, or components into new products.

42 Wholesale Trade-Activities of this sector are selling or arranging for the purchase or sale of goods for resale; capital or durable nonconsumer goods; and raw and intermediate materials and supplies used in production, and providing services incidental to the sale of the merchandise.

44-45 Retail Trade-Activities of this sector are retailing merchandise generally in small quantities to the general public and providing services incidental to the sale of the merchandise.

48-49 Transportation and Warehousing-Activities of this sector are providing transportation of passengers and cargo, warehousing and storing goods, scenic and sightseeing transportation, and supporting these activities.

51 Information-Activities of this sector are distributing information and cultural products, providing the means to transmit or distribute these products as data or communications, and processing data.

52 Finance and Insurance-Activities of this sector involve the creation, liquidation, or change in ownership of financial assets (financial transactions) and/or facilitating financial transactions.

53 Real Estate and Rental and Leasing-Activities of this sector are renting, leasing, or otherwise allowing the use of tangible or intangible assets (except copyrighted works), and providing related services.

54 Professional, Scientific, and Technical Services-Activities of this sector are performing professional, scientific, and technical services for the operations of other organizations.

55 Management of Companies and Enterprises-Activities of this sector are the holding of securities of companies and enterprises, for the purpose of owning controlling interest or influencing their management decision, or administering, overseeing, and managing other establishments of the same company or enterprise and normally undertaking the strategic or organizational planning and decisionmaking of the company or enterprise.

56 Administrative and Support and Waste Management and Remediation Services-Activities of this sector are performing routine support activities for the day-to-day operations of other organizations.

61 Educational Services-Activities of this sector are providing instruction and training in a wide variety of subjects.

62 Health Care and Social Assistance-Activities of this sector are providing health care and social assistance for individuals.

71 Arts, Entertainment, and Recreation-Activities of this sector are operating or providing services to meet varied cultural, entertainment, and recreational interests of their patrons.

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72 Accommodation and Food Services-Activities of this sector are providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption.

81 Other Services (except Public Administration)-Activities of this sector are providing services not elsewhere specified, including repairs, religious activities, grantmaking, advocacy, laundry, personal care, death care, and other personal services.

92 Public Administration-Activities of this sector are administration, management, and oversight of public programs by Federal, State, and local governments.

NAICS uses a six-digit coding system to identify particular industries and their placement in this hierarchical structure of the classification system. The first two digits of the code designate the sector, the third designates the subsector, the fourth digit designates the industry group, the fifth digit designates the NAICS industry, and the sixth digit designates the national industry. A zero as the sixth digit generally indicates that the NAICS industry and the U.S. industry are the same.

The subsectors, industry groups, and NAICS industries, in accord with the conceptual principle of NAICS, are production-oriented combinations of establishments. However, the production distinctions become more narrowly defined as one moves down the hierarchy.

NAICS agreements permit each country to designate detailed industries, below the level of a NAICS industry, to meet national needs. The United States has such industry detail in many places in the new classification system to recognize large, important U.S. industries that cannot be recognized in the other countries because of size, specialization, or organization of the industry.

Typically the level at which comparable data will be available for Canada, Mexico, and the United States is the five-digit NAICS industry; for some sectors (or subsectors or industry groups) however, the three countries agreed upon the boundaries at a higher level of detail rather than the detailed industry structure (five-digit). Agreement was reached at the sector level for construction; wholesale trade; retail trade; and public administration and at the subsector level for finance; personal and laundry services; religious, grantmaking, civic, and professional and similar organizations; and waste management and remediation services. For insurance and real estate, the three countries agreed on comparability at the industry group level.

Differences in the economies of the three countries or time constraints necessitated these modifications. For each of these sectors, except wholesale trade and public administration, Canada and the United States have agreed upon an industry structure and hierarchy to ensure comparability of statistics between those two countries. Canada and the United States also have established the same national detail (six-digit) industries where possible, adopting the same codes to describe comparable industries. For this reason, the numbers of the U.S. industries may not be consecutive. In a few cases, it was necessary for the United States to use all of the numbers available to establish its six-digit detail so that the same six-digit codes do not represent comparable industries in the U.S. and Canada. In Appendix A, a "CAN" notation in the first column indicates comparability between the two countries. In Part I, Titles and Descriptions, a superscript or "CAN" at the end of an industry title indicates the same thing. A blank in the first column or no superscript indicates comparability among the three countries.

NAICS with U.S. detail will be known as NAICS United States (denoted by "US" in Appendix A and a superscript "US" at the end of the title in Part I) while Canada and Mexico will produce six-digit detail and will publish that detail as NAICS Canada and NAICS (SCIAN in Spanish) Mexico.

Definition of an Establishment

NAICS is a classification system for establishments. The establishment as a statistical unit is defined as the smallest operating entity for which records provide information on the cost of resources - materials, labor, and capital - employed to produce the units of output. The output may be sold to other establishments and receipts or sales recorded, or the output may be provided without explicit charge, that is, the good or service may be "sold" within the company itself.

The establishment, in NAICS United States, is generally a single physical location, where business is conducted or where services or industrial operations are performed (for example, a factory, mill, store, hotel, movie theater, mine, farm, airline terminal, sales office, warehouse, or central administrative office). There are cases where records identify distinct and separate economic activities performed at a single physical location (e.g., shops in a hotel). These retailing activities, operated out of the same physical location as the hotel, are identified as separate establishments and classified in retail trade while the hotel is classified in accommodations. In such cases, each activity is treated as a separate establishment provided: (1) no one industry description in the classification includes such combined activities; (2) separate reports can be prepared on the number of employees, their wages and salaries, sales or receipts, and expenses; and (3) employment and output are significant for both activities.

Exceptions to the single location exist for physically dispersed operations, such as construction, transportation, and communication. For these activities the individual sites, projects, fields, networks, lines, or systems of such dispersed activities are not normally considered to be establishments. The establishment is represented by those relatively permanent main or branch offices, terminals, stations, and so forth, that are either (1) directly responsible for supervising such activities, or (2) the base from which personnel operate to carry out these activities.

Although an establishment may be identical with the enterprise (company), the two terms should not be confused. An enterprise (company) may consist of more than one establishment. Such multiunit enterprises may have establishments in more than one industry in NAICS. If such enterprises have a separate establishment primarily engaged in providing headquarters services, these establishments are classified in NAICS Sector 55, Management of Companies and Enterprises.

Although all establishments have output, they may or may not have receipts. In large enterprises it is not unusual for establishments to exist that solely serve other establishments of the same enterprise (auxiliary establishments). In such cases, these units often do not collect receipts from the establishments they serve. This type of support (captive) activity is found throughout the economy and involves goods producing activities as well as services.

In the 1987 SIC, auxiliary service establishments, defined as establishments primarily engaged in performing management or support services for other establishments of the same enterprise, were classified to industries based on the industry classification of the establishments they serviced-not the primary activity. However, captive goods producing establishments, defined as operating establishments, were classified based on what they did, not whom they served. This traditional treatment of auxiliary units implied that captive services producing establishments should be treated differently from captive goods producing units.

NAICS changes this traditional classification of auxiliary establishments. NAICS is based on the economic principle that establishments should be grouped together based on their production processes and does not distinguish between captive services and goods establishments. Those units that carry out support activities for the enterprise to which they belong are classified, to the extent feasible, according to the NAICS code related to their own activity and, if possible, to that of the enterprise they support. This means that warehouses that provide storage facilities for their

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own enterprise will be classified as a warehouse and not as an automobile assembly plant (if that is the primary unit they serve).

Determining an Establishment's Industry Classification

An establishment is classified to an industry when its primary activity meets the definition for that industry. Because establishments may perform more than one activity, it is necessary to determine procedures for identifying the primary activity of the establishment.

In most cases, if an establishment is engaged in more than one activity, the industry code is assigned based on the establishment's principal product or group of products produced or distributed, or services rendered. Ideally, the principal product or service should be determined by its relative share of current production costs and capital investment at the establishment. In practice, however, it is often necessary to use other variables such as revenue, shipments, or employment as proxies for measuring significance.

There are two types of combined activities that are given special attention in NAICS. They are vertical integration and joint production. These combined activities have an economic basis and occur in both goods-producing and services-producing sectors. In some cases, there are efficiencies to be gained from combining certain activities in the same establishment. Some of these combinations occur so commonly or frequently that their combination can be treated as a third activity in its own right and explicitly classified in a specific industry.

One approach to classifying these activities would be to use the primary activity rule, that is, whichever activity is largest. However, the fundamental principle of NAICS is that establishments that employ the same production process should be classified in the same industry. If the premise that the combined activities correspond to a distinct third activity is accepted, then using the primary activity rule would place establishments performing the same combination of activities in different industries, thereby violating the production principle of NAICS. A second reason for NAICS recognizing combined activities is to improve the stability of establishment classification, both over time and among the various agencies that implement the classification. An establishment should remain classified in the same industry unless its production process changes, and different agencies should code the same establishment or type of establishment in the same way. A consistent treatment of establishments with combined activities is more likely if they are classified to a single industry.

Vertical integration involves consecutive stages of fabrication or production processes in which the output of one step is the input of the next. In general, establishments will be classified based on the final process in a vertically integrated production environment, unless specifically identified as classified in another industry. For example, paper may be produced either by establishments that first produce pulp and then consume that pulp to produce paper or by those establishments producing paper from purchased pulp. NAICS specifically specifies that both of these types of paper-producing processes should be classified in 32212, Paper Mills, the industry, or the final step in paper manufacturing, rather than in NAICS 32211, Pulp Mills. In other cases, NAICS specifies that vertically integrated establishments be classified in the industry representing the first stage of the manufacturing process. For example, steel mills that make steel and also perform other activities such as producing steel castings are classified in NAICS 33111, Iron and Steel Mills and Ferroalloy Manufacturing, the first stage of the manufacturing process.

The joint production of goods or services represents the second type of combined activities. For example, automobile dealers both sell and repair autos; automotive parts dealers may both sell parts and repair automobiles; and musical instrument stores may both sell and rent instruments. In the manufacturing sector, establishments may make two different products such as women's dresses and women's suits, activities that are classified in two different NAICS United States

detailed industries. In general, receipts/sales and revenue data are used as a proxy to determine primary activity for these establishments. The assumption is that the activity generating the most receipts is also the activity using the most resources and most indicative of the production process.

In some cases, however, these combined activities have been assigned to a specific NAICS industry. Most of these activities involve either the sale and repair of goods or the sale and rental of goods in the same establishment. For example, establishments that both sell automobile parts and repair automobiles are classified in NAICS 44131, Automotive Parts and Accessories Stores, and those music stores that both sell and rent musical instruments are classified in NAICS 45114, Musical Instrument and Supplies Stores. In other cases, specific industries have been identified for these combined activities, such as 44711, Gasoline Stations with Convenience Stores.

Classification rules related to the agreement to permit individual country detail at the six-digit level for NAICS sometimes results in less comparable NAICS industries at the five-digit level and above. For example in NAICS, the assignment of the industry code is at the most detailed level of the classification (the six-digit U.S. detail code), except for agriculture. That is, if the value of an establishment's production consists of 30 percent from computers, 30 percent from computer storage devices, and 40 percent from semiconductors and related devices, it will be classified in U.S. detail industry 334413, Semiconductor and Related Device Manufacturing, that will be aggregated to NAICS 33441, Semiconductor and Other Electronic Component Manufacturing, the level at which comparable information is shown for all three countries. If the classification for the above example were at the five-digit NAICS level, that establishment would be classified in NAICS 33411, Computer and Peripheral Equipment Manufacturing. There would then be more comparable information at the NAICS level, but it would be impossible to classify this establishment to a U.S. detail six-digit industry.

In agriculture, however, NAICS coding will be at the five-digit NAICS level. This is possible because of the identification in NAICS of combination farms. Therefore, the above situation does not occur.

Comparison of NAICS to the International Standard Industrial Classification (ISIC)

Recognizing the need for international comparability of economic statistics, the United Nations (UN) first adopted an International Standard Industrial Classification (ISIC) system in 1948. Revisions to the ISIC structure and codes were adopted by the UN's Statistical Commission in 1958, 1968, and 1989. [2]

Similar to NAICS, ISIC was designed primarily to provide classifications for grouping establishments (rather than enterprises or firms), and the primary focus for the ISIC classification system is the kind of activity in which establishments or other statistical entities are engaged. The main criteria employed in delineating divisions and groups (the two- and three-digit categories, respectively) of ISIC are: (a) the character of the goods and services produced; (b) the uses to which the goods and services are put; and (c) the inputs, the process, and the technology of production.

The third classification criterion of the ISIC is the conceptual foundation of NAICS, and thus, NAICS is aligned more closely with ISIC than was the 1987 SIC system. However, there are differences between the NAICS and ISIC classification schemes. Most important, perhaps, is the single (production process) conceptual framework of NAICS. As noted elsewhere, this is unique among industry classifications. Distinctions also were made during ISIC's development with regard to (1) select characteristics of goods and services produced; (2) the range of kinds of activity frequently carried out under the same ownership or control; (3) differences between

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enterprises in scale, organization of activities, capital requirements, and finance; and (4) the pattern of categories at various levels of classification in national classifications.

The ISIC groups economic activity into 17 broad Sections, 60 Divisions, 159 Groups, and 292 Classes. In the coding system, Sections are distinguished by the letters A through Q and the Divisions, Groups, and Classes are identified as the two-digit, three-digit, and four-digit groupings, respectively. NAICS United States groups economic activity into 20 sectors, 96 subsectors, 311 industry groups, 459 NAICS industries (for which there is comparability among all three countries), and 1,170 U.S. industries corresponding to the two-digit, three-digit, four-digit, and five-digit levels in the coding system. In some cases, the NAICS U.S. industry codes include a sixth-digit to identify an economic type unique to the United States, but within the general NAICS structure.

In the development of NAICS industries, the statistical agencies of the three countries strove to create industries that did not cross ISIC two-digit boundaries. A detailed concordance among NAICS United States and ISIC, Revision 3 will be conducted and the results of that concordance published on the NAICS Internet web site (http://www.census.gov/naics).

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2 International Standard Industrial Classification of all Economic Activities, Statistical Papers, Series M., No. 4, Department of International Economic and Social Affairs, Statistical Office, United Nations, New York, 1958, International Standard Industrial Classification of All Economic Activities, Statistical Papers, Series M., No. 4, Rev. 2, Department of International Economic and Social Affairs, Statistical Office, United Nations, New York, 1968. International Standard Industrial Classification of All Economic Activities, Statistical Papers, Series M., No. 4., Rev. 3, Department of International Economic and Social Affairs, Statistical Office, United Nations, New York, 1990.

NAICS United States Structure

Sector	New Name	Sub-Sectors	Industry groups	NAICS 5-digit industries	U.S. 6-digit industries	Total U.S. industries	
11	Agriculture, Forestry, Fishing and Hunting	5	19	42	32	64	20
21	Mining	3	5	10	28	29	-
22	Utilities	1	3	6	6	10	6
23	Construction	3	14	28	-	28	3
31-33	Manufacturing	21	84	184	408	474	79
42	Wholesale Trade	2	18	69	-	69	-
44-45	Retail Trade	12	27	61	18	72	17
48-49	Transportation and Warehousing	11	29	42	25	57	28
51	Information	4	9	28	12	34	20
52	Finance and Insurance	5	11	32	15	42	23
53	Real Estate and Rental and Leasing	3	8	19	9	24	15
54	Professional, Scientific, and Technical Services	1	9	35	17	47	28
55	Management of Companies and Enterprises	1	1	1	3	3	1
56	Administrative and Support and Waste Management and Remediation services	2	11	29	23	43	29
61	Educational services	1	7	12	7	17	12
62	Health Care and Social Assistance	4	18	30	16	39	27

71	Arts, Entertainment, and Recreation	3	9	23	3	25	19
72	Accommodation and Food Services	2	7	11	7	15	10
81	Other Services (except Public Administration)	4	14	30	30	49	19
92	Public Administration	8	8	29	-	29	2
	Total	96	311	721	659	1170	
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Frequently Asked Questions About Economic Classifications:

1. What is the purpose of an industry classification system?
- An industry classification system facilitates the collection, tabulation, presentation, and analysis of data relating to establishments and ensures that data about the U.S. economy published by U.S. statistical agencies are uniform and comparable. NAICS ensures that such data are uniform and comparable among the North American countries.

2. What is an establishment?
- An establishment is generally a single, physical location at which economic activity occurs (e.g., store, factory, farm, etc.). An enterprise, on the other hand, may consist of more than one location performing the same or different types of economic activities. Each establishment of that enterprise is assigned a NAICS code.

3. In which industry is my company classified?
- NAICS is an establishment classification system, not a company classification system. To determine in which industry each establishment of your company is classified, you should first identify the primary activity of each establishment and then go to the alphabetic list of activities in the NAICS United States Manual. Find that activity in the alphabetic index, turn to the industry description of the specified code, read the definition of the industry as printed in the description, and determine if that description fits the activities of your establishment.

or

- Contact the Census Bureau by telephone at 1-888-75NAICS or by E-mail at naics@census.gov (do not include any capital letters in the address). Describe the activity of the establishment for which you need a NAICS code and you will receive a reply.

4. How are NAICS codes assigned?
- NAICS codes are assigned to each establishment of an enterprise based on the primary activity of that establishment. When a company applies for an Employer Identification Number (EIN), information about the type of activity in which that business is engaged is requested in order to assign a NAICS code. In addition, statistical agencies such as the Census Bureau and the Bureau of Labor Statistics assign NAICS codes based on information reported to them.

5. How do I apply for a NAICS code?
- As explained above, NAICS codes are assigned based on the primary activity of the business establishment. You may contact the Census Bureau (see question 3) to determine your NAICS code.

6. Have the Small Business Administration's size standards been updated to reflect the NAICS codes?

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- You should contact the Office of Size Standards of the Small Business Administration, 409 Third Street S.W., Washington, DC 20416 for this information. They can be reached at 202-205-6618.

7. How do the NAICS codes affect the Environmental Protection Agency's regulations?
- You should contact the Environmental Protection Agency at 202-260-3071 for answers to those questions.

8. When will NAICS codes be used in Federal Procurement regulations?
- You should contact the U.S. General Services Administration at 202-205-6618.

For answers to other NAICS questions, you may visit the NAICS web site at http://www.census.gov/naics.

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EXAMPLE (More data available at http://www.census.gov/eos/www/naics)

621511 Medical Laboratories
This U.S. industry comprises establishments known as medical laboratories primarily engaged in providing analytic or diagnostic services, including body fluid analysis, generally to the medical profession or to the patient on referral from a health practitioner.

Cross-References. Establishments primarily engaged in--

- Establishments known as dental laboratories primarily engaged in making dentures, artificial teeth, and orthodontic appliances to prescription are classified in U.S. Industry 339116, Dental Laboratories;
- Establishments known as optical laboratories primarily engaged in grinding of lenses to prescription are classified in U.S. Industry 339115, Ophthalmic Goods Manufacturing; and
- Establishments known as orthopedic laboratories primarily engaged in making orthopedic or prosthetic appliances to prescription are classified in U.S. Industry 339113, Surgical Appliance and Supplies Manufacturing.

2007 NAICS	2002 NAICS	1997 NAICS	Corresponding Index Entries
621511	621511	621511	Bacteriological laboratories, diagnostic
621511	621511	621511	Bacteriological laboratories, medical
621511	621511	621511	Biological laboratories, diagnostic
621511	621511	621511	Blood analysis laboratories
621511	621511	621511	Cytology health laboratories
621511	621511	621511	DNA testing laboratories
621511	621511	621511	Forensic laboratories, medical
621511	621511	621511	Genetic testing laboratories
621511	621511	621511	Laboratories, medical (except radiological, X-ray)
621511	621511	621511	Laboratory testing services, medical (except radiological, X-ray)
621511	621511	621511	Medical laboratories (except radiological, X-ray)
621511	621511	621511	Medical pathology laboratories
621511	621511	621511	Mycology health laboratories
621511	621511	621511	Parasitology health laboratories
621511	621511	621511	Pathological analysis laboratories
621511	621511	621511	Pathology laboratories, medical
621511	621511	621511	Testing laboratories, medical
621511	621511	621511	Toxicology health laboratories
621511	621511	621511	Urinalysis laboratories

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Funding Components and Rationale for WCGME

$2.5 M This funding (which was begun in FY2008 and the request would be for it to be sustained) is used to recruit and retain faculty for accreditation standards' requirements, including scholarly research activities, protected/supervisory time for faculty, and the recruitment/ retention efforts for primary care physicians for Kansas.

$1.0 M This funding would be to reimburse (used to be a Medicare-covered program) resident physicians who are training in off-site and in rural rotations in Kansas.

$3.0 M **This is the current shortfall of the WCGME programs due to the reduction and/or limitation of Medicare reimbursement for resident training. The two consortia hospitals have temporarily assisted with the revenue shortfall, but they are not in a position to continue that effort.**

$6.5 M This is the amount that is necessary for the current physician residency programs to remain strong and intact in the WCGME consortia, which includes University of Kansas Medical Center-Wichita, Via Christi and Wesley hospitals in Wichita.

Currently, there is a strategic study in process and a grant of $2.9M which is held by the KBA, and it will be accessed by WCGME during the next year. It is unlikely the grant dollars can be used in any significant way for graduate medical education, as the funds are targeted specifically for research efforts, not education efforts.

Physician Workforce and Accreditation Task Force
1-23-09 Attachment 8