

WAYNE STATE UNIVERSITY – ACADEMIC SENATE
Official Proceedings
December 2, 2015

Members Present: Margaret E. Winters, Provost and Senior Vice President for Academic Affairs; Louis J. Romano, President, Academic Senate; Robert Ackerman; Joseph Artiss; Ivan Avrutsky; Michael Barnes; Douglas Barnett; Linda Beale; Abhijit Biswas; Cathryn Bock; Tamara Bray; Krista Brumley; Randall Commissaris; Victoria Dallas; Donald DeGracia; Jane Fitzgibbon; Nancy George; Ewa Golebiowska; Jeffrey Grynawski; Jennifer Hart; Ellen Holmes; renee hoogland; Peter Hook; Michael Horn; Maik Huttemann; Mahendra Kavdia; David Kessel; Fayette Keys; Pramod Khosla; Ashok Kumar; Qin Lai; Todd Leff; Lawrence Lemke; Diane Levine; Leonard Lipovich; Christopher Lund; Aaron Martin; Jason Mateika; Boris Mordukhovich; Joshua Neds-Fox; S. Asli Ozgun-Koca; Victoria Pardo; Charles Parrish; Alexey Petrov; Lori Pile; T. R. Reddy; Marsha Richmond; Linea Rydstedt; Heather Sandlin; Naida Simon; Richard Smith; Beena Sood; Gail Stanford; GERALYN STEPHENS; Ronald Thomas; Ellen Tisdale; Sokol Todi; Mark VanBerkum; William Volz; Deborah Walker; Jianjun Wang; Jeffrey Withey; King-Hay Yang

Members Absent with Notice: Mary Anderson; Poonam Arya; Frances Brockington; Moira Fracassa; Barbara Jones; Stephen Lerner; James Martin; John Porcerelli; Jeffrey Rebudal; Robert Reynolds; Brad Roth; Barrett Watten; Guojun Wu; Xin Wu

Members Absent: Susan Eggly; Andrew Fribley; Daniel Golodner; Avril Gene Holt; Patricia Jarosz; Bryan Morrow; Elizabeth Puscheck; Susil Putatunda

Others Present: Tamica Dothard, Office of the Academic Senate; David Hefner, Vice President for Health Affairs; Gloria Heppner, Associate Vice President for Research; Alan Jacobson, Office of Budget, Planning and Analysis; Robert Kohrman, Associate Vice President for Budget, Planning and Analysis; Geoffrey Nathan, Computing and Information Technology; James Sears, Associate Vice President for Facilities, Planning and Management; Julie Serdar, School of Medicine; Jack Sobel, Dean, School of Medicine; Ricardo Villarosa, Dean of Students Office; Lee Wilkins, Fine, Performing and Communication Arts; Angela Wisniewski, Office of the Academic Senate

CALL TO ORDER: Provost Winters called this regularly meeting scheduled of the Academic Senate to order at 1:35 p.m. The meeting was held in the Bernath Auditorium in the Undergraduate Library.

I. THE SCHOOL OF MEDICINE

Vice President for Health Affairs David Hefner presented information about the financial situation in the School of Medicine (SOM). Mr. Hefner held a retreat on November 20 and November 21 that 110 people attended. They were members of the Board of Governors, the leadership and management personnel in the School of Medicine, members of Wayne State's University Physician Group (UPG), Deans and Department Chairs in the SOM, Provost Winters, members of the President's Cabinet, Charles Parrish, President of the AAUP-AFT, and Lou Romano as President of the Academic Senate. Mr. Hefner explained the relationship of the University to the Fund for Medical Research and Education (FMRE) and the UPG. The UPG serves as the clinical practice group for the training and education of future physicians.

The retreat had three goals: (1) a stronger more cohesive leadership team that successfully executes on a continuous consistent basis; (2) understand the facts so we can confront and transcend the challenges; and (3) generate a sustainable surplus both in the short term and in the long term.

There are at least four different entities represented in the group. There is an inter-relationship among them and there is dependency across all of them.

The University gets revenue from tuition, grants, teaching relationships, and outside entities. The FMRE is a separate legal entity that has its own Board. It is a 501c3, a tax-exempt nonprofit organization. It is intended to underwrite strategic aspects of research dedication on behalf of the SOM. The UPG and other associated practice plans or departments that have their own clinical practices provide the primary funding to the FMRE. A Dean's tax that flows into the FMRE offsets costs within the SOM.

The UPG, where the clinical practice occurs, is a legal entity with its own Board. It has its own platform and is semi-permeable from the University so the University cannot be sued for malpractice. This is a common setup in the U.S. There are other practice groups (pediatrics, anesthesiology, radiology, and emergency medicine) that did not join the UPG when it was founded; they have their own business entities that are much like the UPG. The UPG has affiliations with the Detroit Medical Center, the Henry Ford Health System, and Beaumont-Oakwood Hospital. WSU's medical

students, residents, and faculty are associated with them. The hospitals pay a fee for the affiliation.

The individual entities build silos rather than work as a team. What each group did was not visible to the other groups. This was true even between the SOM and the University. How the SOM and its related entities go is how the University at large will go. The entities have to work together differently than in the past to confront and transcend the challenges.

The Chief Financial Officer, the Associate Vice President for Budget, Planning and Analysis, the University's auditors, and the Board of Governors agreed that there is an amount due the University that it will not collect. A write down is occurring of what the University is showing on its books. The University's balance sheet is decreasing because of the problem. This is unsustainable for the entities and for the University.

For the fiscal year 2015 that ended September 30, 2015, there is a deficit of \$29 million across the UPG, the FMRE, and the University. A fundamental change in how the entities operate and how the University operates is necessary. This is an opportunity to reposition ourselves for the future. It is not just about belt tightening and austerity. We have to make strategic investments because the School of Medicine and the University are fundamentally human capital businesses. We still have to attract talented people and make strategic investments at the same time that we take dramatic action in other sectors.

The University recognizes that if the FMRE cannot repay the money it owes, the deficit belongs to the University. Essentially, the University and the SOM have a \$20 million net loss. The management leadership of the SOM, the UPG, and the related entities did not respond to the declining revenues, which have accelerated over the last three to four years. We did not address these with increases in the cost base or with profitable growth as would occur in any other business or in one's personnel finances. The situation was masked by outdated management systems and was exacerbated by a lack of transparency and a lack of communication across and including the University and all of the other entities. To turn this situation around, all of the SOM faculty must be productive particularly in research and clinical work.

One and one half years ago, the University had on its books a growing receivable of \$15 million. The University was asking the FMRE corporation for the payment but it did not know that the FMRE was under water by \$15 million.

The entities did not know that years ago the UPG had purchased a building in Troy. It sold the building to a third party developer, making a profit of \$27 million. Part of that \$27 million was used to pay what the UPG owed the FMRE. Then the FMRE was able to reduce its loss by \$7 million, bringing their loss to \$8 million. This happened at the end of fiscal year 2014. The FMRE gave the \$7 million to the University, reducing the University's receivables from \$15 million to \$8 million. Money was still owed the University but, having received partial payment, the University did not understand the seriousness of the situation. At the end of fiscal year 2015, the receivable on the University's books was \$20 million. At that time it became apparent that the FMRE corporation was down \$20 million.

The University does not own the FMRE per se. The purpose of the FMRE is to support the University. It is a separate corporation that has no shareholders. If the corporation were to be dissolved, the equity would be returned to the SOM and its respective departments.

Mr. Hefner explained how the issue is being addressed. A year ago, Dr. Jack Sobel was appointed Dean. He assumed the position not knowing the extent of the problem, but he is committed to addressing it. The other key players in addressing the problem so it does not endanger the entire University are Provost Winters, the President's Cabinet, and the Deans of the other colleges. To deal with the situation, there is now greater transparency and accountability, collaboration and alignment both inside the entities and across the entities. There is open continuous fact-based communication and timely accurate data to inform management in decision-making. The faculty and the administrators have to increase their productivity. People who are overhead have to demonstrate that they provide a return. If not, they should be removed. The faculty and all support staff have to become an aligned high-performing team.

The deficit is growing day by day. We need to generate another 5% to 10% revenue in addition to the money needed to repay the deficit. Faculty are key to correcting the problem; they bring in the revenue.

Mr. Hefner introduced Dwight Monson, a consultant who has worked in universities his entire career. He assisted in the restructuring of other medical schools and will do the same for our School.

Mr. Hefner and Mr. Monson reported that the head count in the SOM is 827 and the FTE is 776.9. In some cases the faculty self-reported their FTE and in others the Chairs worked with their faculty to determine the allocation. Those in the clinical area reported an FTE of 293.8, in research an FTE of 210.3, in

teaching an FTE of 150, in administration an FTE of 90.0, and in public service an FTE of 33.0. These percentages will be compared with benchmarks. The figures include the teaching of graduate students. There is a large contingent of the workforce that, based on the data, could be deployed into other efforts that should have a very productive return. Vice Deans who have worked in other educational medical institutions have said that for a quality medical education, i.e., four years in medical school and a residency experience, the FTE should be 74. Wayne State's FTE is 150. A little more than one-half of the 74 FTE is the education of masters and doctoral students. Faculty were asked if they had research grants. Of the basic science faculty, 61 are not PI or Co-PI on any grants, 25 are on 1 grant, and 12 are on more than one grant. Mr. Monson said that people who self-reported and identified themselves as allocating a portion of their time to research as a principal investigator or as a co-principal investigator are represented in the figures.

Mr. Hefner stated that clinical faculty includes the hundred plus Ph.D.s in the clinical departments who are performing research. The clinical faculty is a compilation of M.D.s and Ph.D.s working as a team.

The percentage of salary that 30 to 50 medical schools attribute to administration and service is 8 to 10%. At Wayne State it is reported to be double that figure.

Physicians have to become more productive. They have to care for patients more expeditiously with high quality and to generate more research. If this cannot be done, the number of faculty need to be reduced over time.

We want to increase revenue and decrease expenses, turn the losses into surpluses. We want to successfully manage and deliver on the many streams of work, of projects, and of initiatives. The School must have a disciplined approach to change management and program measurement. We have to prioritize the efforts and sequence them appropriately. New management philosophies, principles and behaviors have to be adopted.

Mr. Monson said that the Department Chairs are committed to the sharing of management information and data and to greater transparency. There will be key performance indicators to inform managers if the School is losing money and if action is needed. Inadequate accountability and an unwillingness to have difficult conversations contributed to the problem. Now there is a clear alignment of leadership and it is clear what has to be done. The sharing of information will be done in a setting of peers. There is a silo mentality in departments. Going forward decision

making will be collaborative and participative. A good portion of the criteria for the selecting of Department Chairs is based on academic or clinical performance. That is important in building great departments, but Chairs also need leadership skills to have difficult conversations and to ensure that the finances are in order. The University will provide training to make that possible.

Mr. Hefner and Mr. Monson and the leadership of the School of Medicine need input, feedback and ideas from the faculty and staff. In summary, the financial problems occurred due to a lack of response to falling revenues, a lack of transparency, and a lack of accountability. Processes are being implemented to ensure this does not happen again. Everyone will have to work collaboratively and be accountable to each other. Communication will be ongoing and it is important that everyone participates in correcting the problem. This is an opportunity to reshape the SOM and to realize our mission of excellence.

Robert Kohrman, Associate Vice President for Budget, Planning and Analysis, replied to questions from Senate members. The budget situation in the Medical School is eroding the University's unrestricted new assets. Outside entities such as Moody's and Standard and Poor's evaluate the University based on its ability to build capital infrastructure. With a decrease in our bond rate, if the University were to borrow money, it would probably affect 20 basis points. When we close the books for fiscal year 2015, we will probably experience a decrease in our bond rating. That will affect our ability to borrow money because the University does not want to borrow at higher rates nor will financial institutions want to lend to the University if they think the financial problem will continue.

Mr. Petrov asked if the schools and colleges that are in the black would have to cover the losses in the SOM. Mr. Kohrman responded. Some people believed that tuition revenue from the Medical School was subsidizing the main campus or that the School was running in the black. Neither is true. The SOM is \$30 million in the red. Across the nation, schools of arts and sciences typically subsidize the schools that are more expensive to operate such as engineering and medicine. The College of Liberal Arts and Sciences is in the black, and some of its general fund resources are subsidizing the SOM. Mr. Petrov was concerned because, for this academic year, only five new faculty were hired for all of CLAS. Mr. Hefner said that the Board of Governors has to determine priorities and how resources should be allocated. Medical and dental schools are very high cost infrastructure businesses that, if on their own, generally run losses not profits. If medical schools have their own health

system, they can be sustainable. Wayne State is one of about 30 academic institutions that doesn't have its own hospital.

Provost Winters explained that, under the University's budget system, the schools and colleges do not own the tuition they bring in. The money is put into the general fund and is allocated to the schools and colleges. The Deans then are responsible for managing the general fund money that is allocated to their colleges.

Ms. Beale returned to the question of the write down and the short-term future. She assumed that the FMRE was continuing to lose money because the Dean's tax from UPG was not being fully paid. She asked if there was a short-term burn rate and if we were trying to reduce it and therefore reduce the need for another write down in FY 2016. Mr. Hefner said that all of the entities including the UPG are current with their payments and Dean's taxes.

Mr. Barnett asked if the financial situation would affect the Medical School's accreditation. Dean Sobel said that it would not. As a result of the last accreditation cycle, the SOM was placed on probation, but on appeal, probation was lifted. The fundamentals that led to the probation are being corrected. Dean Sobel is confident that when the SOM undergoes its review in two years, it will be fully re-accredited. The School has to assure the American Association of Medical Colleges that there are no fiscal problems that would impact the quality of the education of our medical students. Dean Sobel does not expect that there will be such problems.

The discussion ended. The Senate thanked Mr. Hefner, Mr. Monson, and Dean Sobel for the presentation.

II. APPROVAL OF THE PROCEEDINGS OF THE ACADEMIC SENATE MEETING

It was MOVED and SECONDED that the Academic Senate APPROVE the Proceedings of its meeting of November 4, 2015. PASSED.

III. REPORT FROM THE SENATE PRESIDENT

A. Report and Announcements

Mr. Romano reported that the search committee for the Provost is reviewing the applications for the position. Interviews will begin in February.

B. Proceedings of the Policy Committee

The Senate received the Proceedings of the Policy Committee meetings of October 26, November 2, November 9, and November 16, 2015. They are attached to these Senate Proceedings as Appendix A.

November 16, 2015

On November 16, the Policy Committee received the report of the ad hoc Math Placement/Competency Exam Committee. That committee recommended that the University purchase a test from ACCUPLACER. Ms. Fitzgibbon asked for more information about the recommendation. Mr. Romano explained that our current test for determining mathematics competency at the 1000 level is not appropriate for that purpose. It is a placement exam for mathematics students. However, the examination from ACCUPLACER also does not have a module to measure competency. The Policy Committee and the administration are trying to address the problem. Mr. Romano recommended that the University develop an exam that would test math at the 1000 level rather than purchasing a commercial product. The Provost said that the Mathematics Department and the ad hoc committee continue to investigate potential solutions. Ms. Beale added that Policy Committee also was concerned that the satisfactory completion of a statistics course had not been included in the recommendation of the ad hoc committee and that the timing of the introductory courses students must follow to pass the math competency was not clarified.

IV. REPORT FROM THE CHAIR

Provost Winters noted that, although issues related to the School of Medicine have required a great deal of time, projects and concerns in the other schools and colleges and in the University as a whole are being addressed. Mr. Hefner had said that we have to find solutions that allow us to make strategic investments. All the more so, the Provost said, if you look at the University as whole. She has pointed out during the entire exercise that, although the SOM is large, it is one of 13 schools and colleges.

The program to recognize undergraduate research was very successful. A reception was held to recognize the faculty who served as mentors to undergraduate students. More than 40 faculty, representing almost all of the schools and colleges, attended the reception. The luncheon for the students, the mentors, and the other people involved in the program was well attended, filling two adjacent

ballrooms in the Student Center Building. The Provost is excited about the growth in undergraduate research, both the projects funded by the undergraduate research office, and the projects that faculty and students undertake without funding from the office.

The reception for students who are receiving the Ph.D. and the Ed.D. will be held later in December. It is an opportunity to celebrate the achievements of our advanced graduate students.

Wayne State's Confucius Institute is funded by the Chinese government. We are partners with the Chinese institution, Huazhong University of Science and Technology in Wuhan, which has a strong language faculty. Our Confucius Institute adheres to the core goal of the Institute to support the teaching of Chinese language and culture. We have programs in schools and workshops for K – 12 teachers of Chinese as well as our students of Chinese. Our Director, John Brender, will receive the Individual Performance Excellence Award from the international Confucius Institute organization for his work at Wayne State.

V. NEW BUSINESS

Mr. Lipovich complained about the way announcements of the awards for which faculty may apply were disseminated this year. The Provost said that every fall the Division of Research sends a booklet to faculty listing all the available awards. Associate Provost for Academic Personnel John Vander Weg and the Provost are looking at other ways to announce the awards.

ADJOURNMENT: The meeting adjourned at 3:17 p.m.

Respectfully submitted,

Louis J. Romano
President, Academic Senate