

Chapter One Humble Beginnings

In 1910 Abraham Flexner published his report, “Medical Education in the United States and Canada”, which is commonly known as, “The Flexner Report”. He had joined the research staff of the Carnegie Foundation for the Advancement of Teaching in 1908, and his work there resulted in the above report.

His report led to much-needed reforms in the standards, organization and curriculum of American medical schools. It also led to a sharply reduced number of schools. In 1910 there were one hundred eleven medical schools in the United States and Canada with total revenues estimated at \$178 million (adjusted to 2001 dollars). There were 679 faculty, teaching 20,136 undergraduate medical students.

In 1967 there were eighty-nine medical schools in the United States and Canada with total revenues of \$5.5 billion (adjusted to 2001 dollars). There were 19,297 faculty teaching 33,423 undergraduate medical students.

At the Federal level, US policy was recognizing the importance of Federal appropriations to support biomedical research and the nation witnessed the accelerated growth and development of the National Institutes of Health.

Federal officials recognized the value of supporting research at the Nations Academic Medical Centers. Just a decade earlier a vaccine had been developed that led to the elimination of infantile paralysis as the major menace to young children and adults. Prolonged suffering and the staggering costs of caring for the afflicted had been dealt a mortal blow by medical science, and medical schools were becoming big business in the saving of human lives.

But the administration and business affairs of these institutions was still far behind similar sized and similar budgeted organizations in other segments of the American economy.

Most medical school dean’s and department chairs had no formal training in the management and finance of a large complex organization. Those assigned to assist them with these tasks varied greatly from school to school in regard to formal training in administration, business and finance. Few of these individuals possessed advanced degrees.

However, by the 1960s there were many talented, skilled and well-educated business officers at a number of medical schools.

It was the wisdom of one individual, Augustus J. Carroll, Assistant Director, Division of Operational Studies at the Association of American Medical Colleges, (AAMC), who would bring this talent together, for the purpose of forming an organization to raise the quality of

administration, business and financial affairs of US medical schools on a par with the quality of other similar organizations in twentieth century America.

In 1965 Congress enacted Medicare/Medicaid legislation, which provided health care to millions of citizens over the age of sixty-five and to many too poor to pay for their health care.

A very large percentage of the beneficiaries of this new health care legislation formally had been receiving free care at US academic medical centers. Now their health care would be paid for by the Federal treasury, if the attending teaching physician were shown to have provided “personal and identifiable care”.

This placed new and very unique obligations on the administrators of academic medical centers. The question was, were they prepared for this challenge? Audits by the General Accounting office, in the late 60’s and early 70’s showed that many were not.

On the horizon lay huge increases in the size and budgets of US medical schools. A number of factors were to lead to this massive growth:

- ❑ The development of Medicare and Medicaid as mentioned earlier.
- ❑ The growth and proliferation of institutional plans governing faculty practice income.
- ❑ A decision at the Federal level in the early 70’s that the country was short 40,000 doctors, and it was the responsibility of the Federal government to help the medical schools pay the cost of increasing class sizes.
- ❑ Additional Federal dollars via General Research Support Grants.

As mentioned earlier, most of the massive growth of medical schools could not be predicted in 1967, nor how critically important it was to raise the quality of the business, finance and administration at our nations academic medical centers. But one man, with great vision, saw far into the future.

Augustus J. Carroll had joined the AAMC in 1958 as a consultant and in 1962 as a full time official.

Prior to joining the AAMC, “Gus” Carroll had spent many years on problems related to the management and accounting aspects of the Auburn State Prison and the University of Syracuse College of Forestry, a land grant institution. During this period of his life, he developed the skills that permitted him to relate the principles of management and fiscal reporting to the very specialized accounting, management and fiscal reporting needs of academic medical institutions.

Mr. Carroll developed and completed many important projects in the ten years he spent at the AAMC. Just to name a few:

- ❑ The questionnaires that made possible the annual AAMC report on medical school expenditures by source of funds.
- ❑ The AAMC faculty roster study - (in 1968 it was called, “The biennial study of faculty salaries and fringe benefits”).

Dr. Ward Darley, the first full-time Executive Director of the AAMC, said in an editorial in the Association’s *Journal of Medical Education*,—(Vol. 43, June 1968, page 746), “The passage of time will not erase the impact that Augustus J. Carroll has had upon the world of medical education. His principle dictum ‘know the facts that explain the figures,’ must not be forgotten. Unless medical educators satisfy this dictum, they will never understand the increasingly complex relationship of costs to objectives and accomplishments.”



Augustus J. Carroll
1907-1968

Carroll felt strongly that a national organization of medical school business and administrative officers could play an important role in meeting the administrative, business and fiscal needs of medical education. He invited a group of outstanding medical school business officers to meet with him while they were attending the 75th anniversary meeting of the AAMC in New York. This group included the following:

Joseph A. Diana, Secretary to the Faculty, University of Michigan College of Medicine, William Hilles, Executive Assistant to the President, New York Medical College, (prior to this position Bill Hilles was Business Manager, Rutgers College of Medicine), Hugh Hilliard, Controller Emory University and Chief Business Officer for the College of Medicine, George Norwood, Vice President for Business and Fiscal Affairs, Jefferson Medical College, David Sinclair, Vice President for Business Affairs, S.U.N.Y., Upstate Medical Center, Clarence Stover, Assistant to the Dean, University of Utah, William A. Zimmerman, Associate Dean for Business Affairs, University of Oregon.

Mr. Zimmerman was not able to attend but said that he would participate in future activities of the group.

On October 27th 1967, at 9:30 A.M., in a small room in the New York Hilton, this group gathered for an historic meeting, that was to lead to the formation of the Business Officer's Section of the Council of Dean's, of the Association of American Medical Colleges, (later to be renamed the Group on Business Affairs).

The agenda for the meeting consisted of four topics:

- 1 Consider the desirability of future medical college business and financial officers meetings.
- 2 The nature and objectives of such meetings.
- 3 The possibility or need for a formal organization of medical college business officers.
- 4 Discuss future plans.

Prior to the meeting Mr. Carroll had sent a questionnaire to medical school business officers throughout the country. Of the ninety people who received copies of the questionnaire seventy responded (80%).

It was hoped that the questionnaire would provide a good idea of problems faced by the medical school administrators and a planning guide for future meetings.

The meeting resulted in the following conclusions and recommendations:

- 1 In regard to the questionnaire:
 - ❑ All favored regular meetings of the business officers, both at regional and national levels.
 - ❑ They suggested smaller but longer regional meetings, feeling that this would afford opportunities for wider participation and a more effective interchange of information between individuals.
 - ❑ They felt a national meeting would also serve a good purpose.
- 2 The planning body agreed that future meetings would be very desirable.
- 3 They thought that special workshop or seminar-type meetings should be planned.
- 4 They agreed that future meetings should be held for the prime purpose of increasing the knowledge and competence of individual business officers, broadening their services to the medical schools and improving the total performance of their institutions.

- 5 The committee believed that improved communications and the dispensing of reliable information covering the entire field of medical college administration to those who hold administrative responsibilities would contribute importantly to the attainment of these objectives.

The group developed an organizational plan:

- 1 The group should be called, "The Business Officer's Section" of the AAMC.
- 2 The initial planning body of seven would serve as an ad hoc committee to continue over the next year to make specific organizational and meeting plans.
- 3 The organization should focus its attention on matters of concern to the principal business officers of medical schools rather than to university or hospital administrators. However, it was agreed for the present, to have university and hospital administrators serve as the principal business officer for some medical schools and they would be members of the new group.
- 4 It was also agreed, that in the course of time, there would be need for special meetings regarding medical school-university relations or medical school-hospital relations to which it would be desirable to invite university and hospital representatives.

The committee recommended that:

- 1 The Dean of each medical school would designate the chief business officer to represent the school in the Business Officers Section of the AAMC.
- 2 The business officer designated by the Dean should be permitted to invite other appropriate individuals to attend meetings. The invited persons might be members of the business officer's staff, university, business officials, or hospital administrative personnel.

Immediate Plans:

- 1 The ad hoc committee appointed Joseph Diana to serve as its chairman.

It was agreed that, following clearance of plans by the AAMC, future developments should come as a result of organization action. However it was also agreed that during the coming year, while the basic steps toward organization were being taken, the AAMC should continue to make Mr. Carroll's services available to work with Mr. Diana and to handle necessary communications with the deans and business officers.

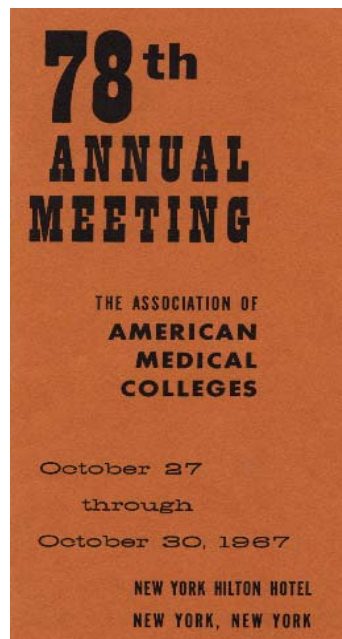
- 2 Mr. Carroll agreed to discuss the committee's recommendations with Dr. Robert C. Berson, AAMC, Executive Director, Office of the President, and with other AAMC officials to seek their advice and the approval necessary to proceed with organization plans.

- 3 The ad hoc committee would plan the details of organization before the next annual meeting of the AAMC.
- 4 As a start for plans toward regional meetings, it was suggested that the region, time, place, and site for a meeting should be selected as soon as basic organizational matters had been concluded. Then the business officers in the region, with the cooperation of the ad hoc committee, should develop a program which hopefully would serve as a possible prototype for good regional meetings.

Finally, prior to adjournment, the group agreed that, it was possible for a formal organization to be established by mail before the next annual meeting. At that time the ad hoc committee could be replaced by an officially designated governing committee and appropriate officers named.

After the meeting, Mr. Carroll returned to his office at the AAMC and sent a memorandum to the Medical School Business and Fiscal Officers (see appendix 'A').

In his memorandum Mr. Carroll thanked the seventy individuals who had responded to his questionnaire and reviewed the result



Where it all began - 78th Annual Meeting of the Association of American Medical Colleges. October 27th 1967.