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Educating Colleagues About Medical School Finances

Meeting Session Summary – GBA Principal
Business Officers' Meeting

September 2018

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Group on Business Affairs

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This document was created by the Group on Business Affairs and is intended to share promising practices around how medical school finances are communicated to colleagues and students. All content reflects the views of the GBA and does not reflect the official position or policy of the Association of American Medical Colleges unless clearly specified.

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F. John Case, Ed.D.
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Background

On September 6, 2018, the Group on Business Affairs Principal Business Officers' Meeting was held in New York City. One session, titled “How Do We Educate Our Senior Leaders and Colleagues About Medical School Finances,” generated several examples from conference attendees.

Prior to the meeting, the following email was distributed to meeting attendees:

We are looking forward to seeing you next week at the PBO Meeting in New York. One of the sessions on Thursday afternoon focuses on a topic that we all struggle with – educating our senior leaders, students and colleagues about medical school finances. This session is highly interactive – there is no formal presentation.

We want to hear from you! Do you have any programs or resources, either informal or formal, that you would be willing to share with your colleagues? John Case, PBO from Morehouse School of Medicine, will be moderating this session. If you have developed something, please consider bringing a few copies of your materials or sending it directly to me (hsacks@aamc.org) to share with the other attendees. Even if you haven't developed something formal or you don't have any materials, please let me or John Case (jcase@msm.edu) know if you would be willing to simply share your efforts for a few minutes during this session.

Our goal is to develop (based on current resources/programs) some real concrete ways we as PBOs can help inform our community about finances. We may even create a small subgroup afterwards to take the session comments/input/resources and go to the next step – further development. We can all use help in financial reporting and communications – we hope this session will move us forward to some new ideas.

Session Outcomes

Meeting participants were asked to reflect on several questions during the session. The questions and responses are listed below:

Who do we need to present financial information to?

- Board
- Deans
- Provost
- Public
- Hospital
- Faculty
- University
- Auditors
- Donors
- Chairs
- Government
- Students
- Bond/Bank/Lenders

What type of information do we need others to understand?

- Profit and Loss
- Reserves
- Commitment

Educating Colleagues Around Medical School Finances

Meeting Session Summary – Group on Business Affairs Principal
Business Officers' Meeting

- Student Financial Info
- Productivity
- Source / Uses
- Compensation
- Finances by Mission
- Philanthropy
- G&Cs A/R; Aging
- Recruitment
- Data Reports

What are our challenges in presenting financial information?

- Lack of Trust – “always to trick them” or “hide something”
- Language of Finances
- Scope of Funds by Mission – do not understand
- They don’t want to show that they don’t understand the reports
- Perspective/Context
- Corporate Finances – much different than Fund Acct.
- Data Integrity – others can/will challenge
- “Cop-Out” - - they don’t want to understand the realities
- Benchmarking – always debatable

Discussion:

- 1) **Examples-** tell some stories; what are you using; what works; what doesn’t work?
- 2) **What do we need to keep in mind to help others understand?**
- 3) **Helpful hints**

- **Knowledge** is understanding
 - How to dissect and explain clearly
- **Context**
 - How to relate to benchmarks and trends
- **Layman’s Terms**
 - For telling the story
- Remember who your **audience** is
- **Minimal Slides** → Simple Terms
- Not too much information on each slide – **reduce 80 slides to 10**
- Telling the story
 - Get to the **outcome you want to emphasize**, don’t just tell the story
- Consistency of messages year to year

School Examples

- **Medical School #1**

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Meeting Session Summary – Group on Business Affairs Principal
Business Officers' Meeting

- Sources and uses graphic by program (Education, Research, F&A, Administrative)
- **Duke University School of Medicine (See detail below)**
 - Basic Finance (university, U.S. medical school, U.S. hospital)
 - Funds Flow
 - Variability between departments
 - Economics of research information
 - Boot Camps - core financial concepts such as the present value of money, rate of return, basic funds flow modeling for investment decisions, and evaluating the bottom line of investments.
 - Basic financial information → terms
 - Case Study – leadership from other areas, breakouts
 - Primer on factors impacting the current financial economy in the School of Medicine as well as the unique challenges faced by basic and clinical science departments.
- **Johns Hopkins University School of Medicine**
 - Economics of clinical care / operations
- **Medical University of South Carolina (MUSC)**
 - Boot Camp Finance 101 → 5 sessions, 1 hour
 - revenue cycle, funds flow
- **Virginia Commonwealth University (VCU)**
 - Classes designed for senior level administration
 - Economics for medical school financing
 - Develop courses
 - Leadership concentrate on mission, that is what they know
 - Medical students 4th year requirements
 - Harvard Business Review (HBR) Articles
 - Philanthropy
 - donor type reports
 - Blinder Information – margin, cash reserves
- **Yale University School of Medicine**
 - Charts shared with faculty that show compounded annual growth rate of revenue sources
 - Revenues, expenses, and net by organization unit.
 - Chair/unrestricted, chief, and faculty restricted by organizational unit

How Effective?

- Customer Survey / Feedback

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Meeting Session Summary – Group on Business Affairs Principal
Business Officers' Meeting

- depends on need
 - some organization do not get honest feedback and discontinued surveys
- Students → scenarios are often the best tool
- State of the School
 - Information to Departments from the Dean
 - Then to the school community
 - Good method – need input on effectiveness from the school community

Educating Colleagues Around Medical School Finances

Meeting Session Summary – Group on Business Affairs Principal
Business Officers' Meeting

Example 1: Duke University School of Medicine

Financial Bootcamp

The School of Medicine “Financial Boot Camp” is a multi-part series designed to help faculty understand core finance issues with a focus on medical school economics. Sessions illuminate the challenges involved in financing a complex academic health center, and managing the priorities of the school, the hospital, and the provider practice. The goal of the Boot Camp is to help build awareness of how administrators evaluate new programs and personnel from a financial perspective and to empower faculty to be fully engaged in discussions about finances at the program, department, and school levels. Use the links below to learn more about the program.

Structure and Overview

Financial Boot Camp is comprised of three, 2-hour meetings. Sessions are a mix of didactic instruction, group work, and case study discussions. Participants are introduced to core financial concepts such as the present value of money, rate of return, basic funds flow modeling for investment decisions, and evaluating the bottom line of investments. These concepts are then applied to case studies in the medical school environment to look at how research is funded and how administrators evaluate new programs from a financial perspective. Sessions 1-2 are led by School of Medicine Executive Vice Dean Scott Gibson. In session 3 Mr. Gibson is joined by a Duke Hospital leader, a PDC leader, and a Business Manager as participants evaluate a case study impacting the school, the hospital, and the PDC. All 3 sessions are extremely interactive and participants have many opportunities to engage with the material and interact with institutional leaders.

Learning Objectives

At the conclusion of this program, participants will be able to:

1. Understand foundational principles of finance that are key elements in business decisions:
 - The time value of money
 - How to consider risk in evaluating investments
 - Basic spreadsheet functionality
 - Basic accounting concepts
 - accrual versus cash accounting
 - income statement structure
 - the importance of the balance sheet
2. Use these tools to consider multiple investment decisions in a team experience
3. Translate these principles into practice using the organizational environment of Duke Health

School of Medicine Finances: A Primer

School of Medicine Offices for Faculty Development and Research Mentoring are pleased to host a variety of seminars, small group workshops, and special events geared toward engaging faculty at all ranks and from all academic backgrounds.

Educating Colleagues Around Medical School Finances

Meeting Session Summary – Group on Business Affairs Principal
Business Officers' Meeting

In this seminar, Executive Vice Dean Scott Gibson will address the basic funds flow model in the School of Medicine and how the school's financial structure relates to the PDC, the Health System, and the University. The discussion will address factors impacting the current financial economy in the School of Medicine as well as the unique challenges faced by basic and clinical science departments. The session will conclude with an overview of the economics of the research mission. Faculty will be encouraged to bring questions.

Who should attend: All are welcome. Material will be geared toward School of Medicine faculty with some experience within the Duke system.

Example 2: Medical University of South Carolina



Finance Crash Course for Clinicians

Developing Future Leaders in an Academic Medical Center



Purpose

The Medical University of South Carolina's College of Medicine (MUSC COM) created a Finance Crash Course for mid-to-senior level clinicians who hold a leadership role, or may hold one in the future. The anticipated outcome of this program is for clinicians to understand the basics of finance and how they apply to an academic medical center in order to develop well-rounded clinical leaders within the enterprise. The course includes an online prerequisite module and four in-class sessions led by medical center executives, ending with business plan presentations.



Background

The need for this program came as a request from the college's faculty affairs leaders who had received feedback from faculty members regarding a gap in understanding between the tripartite mission of the medical center and how it is supported, financially and operationally. The group determined that there needed to be two tracks of the program:

- finance for clinicians and
- finance for researchers.

This course mainly focused on the financial structure of the clinical enterprise.

Methods

Recruitment: Applications were open to MUSC COM clinical faculty, Assistant Professor and higher in rank. Twenty-eight applications were received and reviewed, and eleven clinicians were ultimately chosen for the pilot course. Several others expressed interest in the course at a later time, as their schedule did not permit the dates and times identified for the course. The chosen participants came from a range of specialties and departments, including Family Medicine, Nephrology, Obstetrics and Gynecology, Orthopedics, Otolaryngology, Pediatrics, Psychiatry, Radiation Oncology, and Radiology.

Prerequisite Course: The clinicians participating in the course were required to complete a prerequisite course in MUSC's online education portal. This course familiarized the participants with basic Finance and Accounting Principles, including time value of money, net present value, rate of return, evaluating risk, accrual versus cash accounting, and financial reporting.

In-Class Sessions: The in-class sessions were led by college and health system executives, including the Associate and Assistant Deans for Finance and Administration, the Practice Plan Chief Financial Officer, and the Practice Plan Chief Revenue Cycle Officer, which established an essential sense of credibility with the participants. The classes focused on the following topics:

- 1) Applications of Finance and Accounting in an Academic Medical Center
- 2) MUSC – COM Financial Structure and Funds Flows
- 3) Revenue Cycle and Practice Management
- 4) Business Plan Presentations

The in-class sessions were interactive in nature – the diverse group of participants asked questions and presented examples that benefitted the entire cohort. The clinicians in the class used the information that they learned in the sessions to create a business plan of their choice, individually or in groups. They were able to discuss their ideas and findings with the class and receive feedback from the executive leaders on how to make their business plans even more effective.

Conclusion/ Status

The feedback from the first Finance Crash Course group was positive, and ultimately included a request for a second tier of the course that is a continuation of the first. Additionally, a research-focused finance course was designed and implemented in parallel. It was led by University subject matter experts and catered to junior level researchers and/or clinicians who sought to gain a greater understanding of budgeting, accounting, and managing grants.

MUSC COM intends to commence another round of the Crash Course in the summer, and is beginning conversations to build the curriculum for a second phase of the course for the first cohort.

Lessons Learned

Three key lessons were learned from MUSC COM's pilot of the Finance Crash Course:

- 1) The changing atmosphere in academic medicine and the evolving structure of academic health systems has led to a gap in understanding of how clinical initiatives are supported, financially and operationally. Therefore, there is a need to fill this gap by providing faculty members with opportunities to learn the basics of finance and how they apply to an academic medical center.
- 2) Communication from healthcare leaders is essential and establishes trust and credibility with faculty members.
- 3) Providing mid-to-senior level faculty members with a course that promotes understanding of the financial structure of the academic medical center is key to developing leaders within the enterprise.

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