

Finance 101

Navigating Funds Flow in Academic Medical Centers

Brian Slentz, Division Administrator

Christopher Smith, Department Administrator

Department of Medicine, University of Colorado



Department of Medicine

SCHOOL OF MEDICINE

UNIVERSITY OF COLORADO
ANSCHUTZ MEDICAL CAMPUS

What can I expect to learn here?

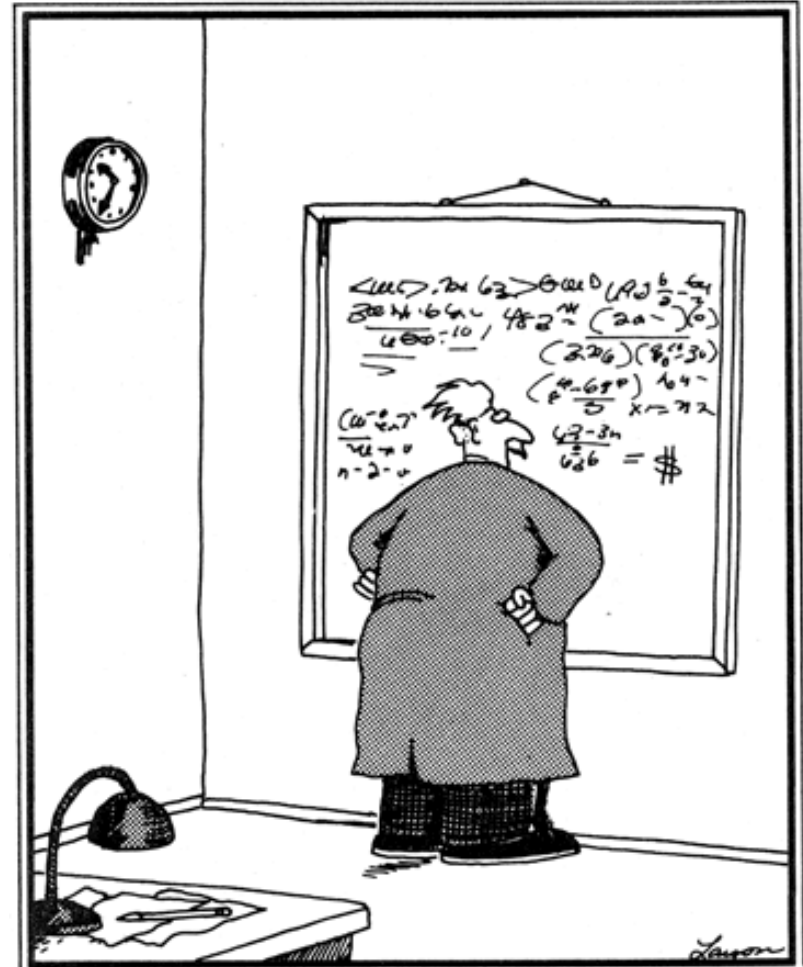
- Basics of funding streams in most AMCs
- Basics of expenses
- Faculty – your most prized and expensive asset
 - Makeup of salary
 - Recruitment
 - Thinking about faculty costs

Revenue

- Clinical Income
- Hospital Support
- Sponsored Research
 - Bench and Translational
 - Clinical
- State/Institution Funding
- Educational Dollars
- Division Reserves
- Division Investments
- Auxiliaries or Service Centers

Expenses

- Faculty Salaries
- Administrative Costs
 - Operations
 - Staff
- Faculty Investment
 - Recruitment
 - Startup
 - Bridging
- Space/Lease and Utilities
- Clinical Practice Expenses
 - Taxes
 - Fee Coordination
 - Practice Expenses

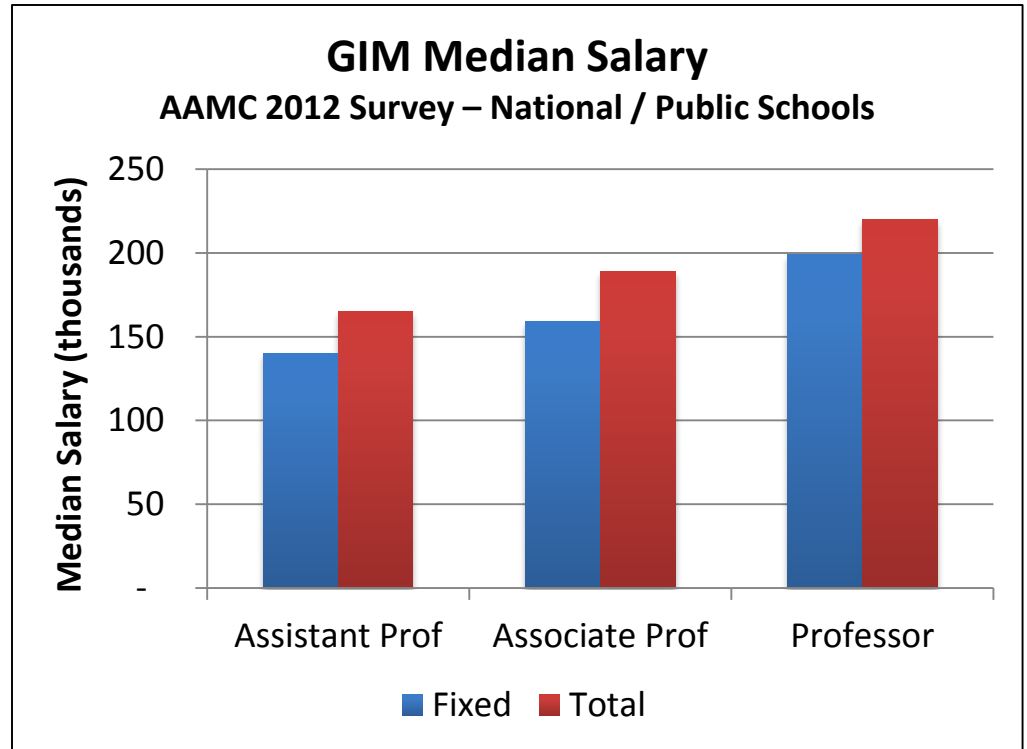


Einstein discovers that time is actually money.



Faculty Salary

- Benchmarks
- Market Forces
- Equity
 - Years in Rank
 - Gender
 - Clinical/Research



Components of Salary

- CARTS
 - Clinical
 - Administrative
 - Research
 - Teaching
 - Service

Case 1

New faculty recruit - Dr. Diaz

- Former Fellow
- Palliative Care

Work in Groups

- Estimate Costs of Recruitment
- Identify Possible Funding Sources
- Continued Funding for Dr. Diaz

Case 1

How did you view this case?

Dr. Diaz – Key Principles

- Set a salary – Possibly \$120k + benefits
- Estimate clinical income, offset salary
- Estimate protected research time
- Sourcing salary
 - Hospital palliative care service income?
 - Hospice clinical contracts?
 - Research collaboration?
 - Research grants?



Dr. Diaz - Salary Support

	Budgeted
Salary	120,000
Benefits (25%)	30,000
Salary and Benefits	150,000
CFTE	0.75
Clinical Income 1.0 CFTE	150,000
Clinical Taxes/Expense (30%)	45,000
Net Clinical Income	105,000
CFTE Adj. Net Clinical Income	78,750
Salary minus Clinical Income	(71,250)
Hospital Support of Gap	(71,250)

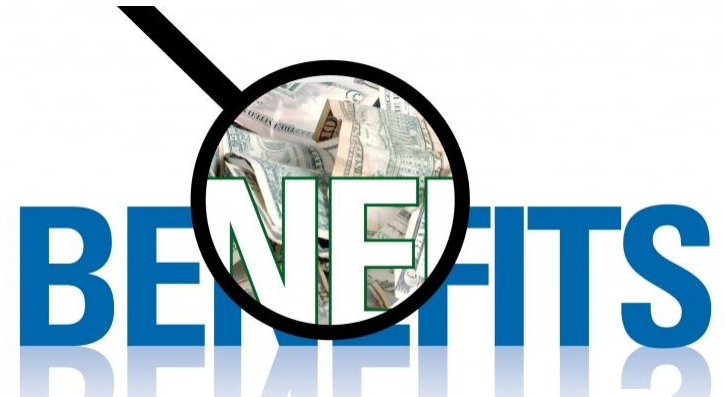
Digging Deeper

- Fringe Benefits
 - Common faculty rate
 - Actual benefits expense
- Other Benefits
 - Signing bonus/relocation incentive
 - Moving expense
 - Longevity incentive
- Estimating Clinical Revenue



Fringe Benefits

- Significant cost
- Research support usually includes fringe following salary allocation
- Institutional support varies greatly
- Retirement, Health, Dental, FICA, Workers Comp, Medicare, etc.
- Method
 - Fixed benefits rate
 - Actual benefits expense



Other Benefits

- Signing bonus/relocation incentive
 - One time payment, defray costs of relocating
 - Keep first year salary within benchmarks or equity guidelines
 - Repayment if faculty leave
- Moving Allowances
 - Follow your institution limits and policies
 - “up to \$X,XXX for relocation costs”
- Longevity Incentive
 - Enticement for longevity, traditionally high turnover positions



Estimating Clinical Revenue

- Identify peer faculty member to serve as clinical revenue benchmark
 - Similar payer mix
 - Similar clinical effort (not critical)
- Identify expenses on clinical income
 - Taxes
 - Fee coordination expense
 - Other expenses
- Ramp up time for revenue



Case 2

New faculty recruit - Dr. Johnson

- Clinician
- Outpatient Clinic

Work in Groups

- Estimate Costs of Recruitment
- Identify Possible Funding Sources
- Importance of Hire

Case 2

How did you view this case?

Case 2 – Key Elements

- 100% clinician
 - Wait time
 - Enough business for a full clinician
- Teaching responsibilities / possibly salary support?
- Admin responsibilities?
- Future leadership?

Dr. Johnson – Clinical Income

	Year 1	Year 2	Year 3
Salary	150,000	153,000	156,060
Benefits (25%)	37,500	38,250	39,015
Salary and Benefits	187,500	191,250	195,075

CFTE	1.00	1.00	1.00
------	------	------	------

Clinical Income 1.0 CFTE	250,000	255,000	260,100
Billing Ramp Up	0.83	1.00	1.00
Practice Building Ramp Up	0.70	0.85	1.00
Sub Total Clinical Income	145,250	216,750	260,100

Clinical Taxes/Expense (30%)	43,575	65,025	78,030
------------------------------	--------	--------	--------

Net Clinical Income	101,675	151,725	182,070
---------------------	---------	---------	---------

Salary minus Clinical Income	(85,825)	(39,525)	(13,005)
------------------------------	----------	----------	----------



Dr. Johnson – Salary Support

	Year 1	Year 2	Year 3
Salary	150,000	153,000	156,060
Benefits (25%)	37,500	38,250	39,015
Salary and Benefits	187,500	191,250	195,075

Net Clinical Income	101,675	151,725	182,070
Clerkship Teaching Support	25,000	25,000	25,000

Salary Surplus/(Deficit)	(60,825)	(14,525)	11,995
--------------------------	----------	----------	--------



To Remember...

- Faculty Salary is your greatest cost and should be invested wisely
- Remember the hidden costs
- Are you able to reinvest in your division
- Seek out partnerships and cost sharing
- Engage your business manager/administrator