

# UNIVERSITY OF HAWAI‘I SYSTEM REPORT



REPORT TO THE 2014 LEGISLATURE

Report on the University of Hawai'i at Mānoa,  
John A. Burns School of Medicine  
Detailed Financial Plan to Fund the  
Operating Expenses

Act 2, SLH 2012

December 2013

The John A. Burns School of Medicine at the University of Hawai‘i at Mānoa is the State’s only publicly owned medical doctorate and residency training program in Hawai‘i. The School of Medicine has educated nearly 50% of the practicing physicians in the State of Hawai‘i. The School’s faculty and staff work closely with the community to provide health services, community education and medical research discoveries that improve Hawai‘i’s and the greater Pacific islands population’s health.

The School’s vision to provide “ALOHA” - Attaining Lasting Optimal Health for All, while serving our education, discovery, care and community service missions are funded with the support of many organizations. Specifically:

- ~\$34.6 M originating from the Hawai‘i State Governor and Legislature, includes:
  - \$15.9 M State General funds appropriated and presently funds 64% of 240 state allocated full-time equivalent (FTE) positions employed at the Medical School including the Office of Public Health Studies (OPHS).
  - \$6 M of State General funds awarded to support the medical school since 2005 and now provided by UH Mānoa using tuition and fees special monies used to fund state allocated FTEs. This represents support for 24% of the 240 state allocated FTEs.
  - \$12.7 M tobacco settlement special funds paying the annual \$10M debt service on the Kaka‘ako Health and Wellness Facilities and the remaining funds supporting the school’s operations and programs to train and graduate new physicians, allied health and biomedical science Masters and PhD students.
- ~\$12 M from the medical school student body tuition and fees earned (retention 85%, remaining is used for scholarships). This covers the remaining 12% of the 240 state allocated positions and operational expenses not covered by Research & Training Revolving Funds (RTRF) or Tobacco Settlement Special Funds.
- ~\$12M from our major Community Medical Center Partners (i.e. Queens Medical Center, Hawai‘i Pacific Health Systems and Physician Group, Kuakini Medical Center and Wahiawa General Medical Center) and UCERA, the School of Medicine’s Faculty Physician Practice group.
  - Exclusive of this direct support, there is additional indirect educational support (i.e. funds not received by UH) from these entities that collectively ranges from \$40M to \$50M annually, supporting faculty physicians, clinical and administrative staff who actively participate in training and educating new physicians.
- ~\$30M to \$40M directly supporting the School’s research from the National Institutes of Health and many foundations and organizations here in Hawai‘i, mainland US and internationally.
  - Among the 17 Association of American Medical Colleges (AAMC) community based public medical schools, JABSOM ranked second in federally sponsored research in 2012 just \$2.5M behind 1<sup>st</sup> place East Tennessee State University James H. Quillen College of Medicine and just exceeding 3<sup>rd</sup> place by \$2.1M, Michigan State University College of Human Medicine.

The School of Medicine’s Health and Wellness facilities opened in the fall of 2005 and are located in Honolulu’s Kaka’ako district. This new location was 100% financed with the support and assistance enacted by the State Legislature using Tobacco Settlement Special Funds. Subsequent support in 2007 was also provided via Sessions Laws of Hawai‘i Act 264. As quoted in recent State of Hawai‘i’s 27<sup>th</sup> Legislature 2012 Act 002, this Act enables “a portion of the Hawai‘i tobacco settlement special fund moneys for annual operating expenses to support the school’s operations and train and graduate new physicians.” This financial support has been and is critical to funding the sustainability of the School’s educational operations.

Sections 3 and 4 of Sessions Laws of Hawai‘i (SLH) 2012 Act 002, requires the University of Hawai‘i to (1) provide a detailed accounting of all revenues and expenses of the medical school facility and (2) provide in detail its financial plan to fund the operating expenses of the school of medicine beginning July 1, 2015, respectfully. After June 30, 2015 the portion of the Tobacco Settlement Special Fund moneys allocated to the University of Hawai‘i and used for the medical school facility operations via this Act will no longer be authorized to use.

In compliance with SLH 2012 Act 002, Section 3, please refer to the financial table below.

**JOHN A BURNS SCHOOL OF MEDICINE & OFFICE OF PUBLIC HEALTH STUDIES  
SLH 2012, ACT 002, SEC. 3 - REVENUES & EXPENDITURES REPORT - ALL FUNDS  
FISCAL YEAR END JUNE 30, 2013**

	<u>GENERAL</u>	<u>SPECIAL</u>	<u>REVOLVING</u>	<u>TOTAL</u>
<b>REVENUES (APPROPRIATIONS)</b>				
STATE GENERAL FUNDS	15,904,107	-	-	15,904,107
TUITION & FEES SPECIAL FUNDS	-	19,005,970	-	19,005,970
TOBACCO SETTLEMENT SPECIAL FUNDS	-	12,658,116	-	12,658,116
RESEARCH & TRAINING REVOLVING FUNDS	-	-	6,070,501	6,070,501
OTHER REVOLVING FUNDS	-	-	145,815	145,815
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<b>TOTAL REVENUES (APPROPRIATIONS)</b>	<b>15,904,107</b>	<b>31,664,086</b>	<b>6,216,316</b>	<b>53,784,510</b>
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<b>EXPENDITURES</b>				
SALARIES AND WAGES	15,904,107	11,047,005	2,099,565	29,050,677
UTILITIES (ELECTRICITY, GAS, WATER, SEWER, PHONE)	-	5,251,757	1,219,970	6,471,727
FACILITIES OPERATIONS (REPAIRS, MAINTENANCE, LEASES, FEE SERVICES)	-	4,009,658	833,458	4,843,117
OTHER OPERATING EXPENDITURES	-	1,290,592	2,016,916	3,307,508
UH HEALTH AND WELLNESS CENTER REVENUE BONDS DEBT SERVICE	-	9,922,000	-	9,922,000
CAPITALIZE EQUIPMENT/RENOVATIONS/LIBRARY BOOKS	-	143,074	46,406	189,480
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<b>TOTAL EXPENDITURES</b>	<b>15,904,107</b>	<b>31,664,086</b>	<b>6,216,316</b>	<b>53,784,510</b>
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Please note, effective fiscal year 2014 at the request of the Chancellor, the Office of Public Health Studies budget and financial oversight has been administratively transferred and reports to the UH Mānoa Chancellor’s office under the direction of the Vice Chancellor of Academic Affairs. Therefore, all Office of Public Health Studies Program state general, special and revolving funds ceiling totaling will transfer to UOH 100 from UOH 110. The Office of Public Health Studies will be submitting a

formal reorganization request seeking approval from the UH Mānoa Chancellor and Faculty Senate with notification to the UH President and UH Board of Regents by June 30, 2014.

	General	Special	Revolving	Total
Office of Public Health Studies Appropriations	\$870,007	\$957,276	\$254,544	\$2,081,827

In compliance with Section 4 of SLH 2012 Act 002 please refer to the table below providing the Financial Plan approved in July 2012 to provide full sustainable replacement funding for the tobacco settlement special funds supporting operations, training and educating new physicians beginning July 1, 2015.

**Approved July 2012 UH Financial Plan measures to replace reduction and loss of Tobacco Settlement Special Funds by July 1, 2015.**

#	Time Period	Means of Funding	Supporting Unit	Recurring Funding Measure	Funding Purpose	Funding Specifics
1	July 2012	B – Special Tuition & Fees Special Fund	Former UH Mānoa Chancellor, V.Hinshaw	Approved JABSOM’s request to increase the medical student tuition allocation percentage to 85% of the school’s medical student body tuition paid to the University of Hawai‘i.	Provides funding for academic faculty and staff salaries to facilitate JABSOM’s educational accreditation requirements as the school continues to increase its class size.	<b>Awarded: 7/1/2012.</b>  Funding must be earned to be received. Funding will only increase if class size and or tuition increases.
2	July 2012	B – Special Tuition & Fees Special Fund	Former UH Mānoa Chancellor, V.Hinshaw	Approved JABSOM’s request to fund Educational Space similar to all education units on UH Mānoa campus. In addition to the Medical Education Building, JABSOM must lease Hospital Facilities to educate both our Medical Students and Physician “Resident” Trainees in the hospital setting.	Provides facilities support subsidy. All UH Mānoa campus schools and colleges facilities are covered by UH Mānoa campus administration. Funding was begin when the tobacco settlement special funds for operations declined with a cap of no more than \$1,900,000 in academic year 2016.	<b>Awarded: 7-1-2012.</b>  \$500,000 was provided to JABSOM. Another \$500,000 in FY 2014; another \$500,000 in FY 2015; final increase of \$400,000 in FY 2016.
3	Fall 2013	B – Special & Tuition & Fees Special Fund  W- Revolving Research & Training Revolving Fund	JABSOM	The Cancer Center’s new buildings opened in February 2013, transferring the Cancer Center faculty and staff to their new buildings from JABSOM Basic Science Building. Consequently, JABSOM was able to consolidate and relocate its research units located throughout Honolulu to JABSOM’s Kaka‘ako location.	Savings of Special and Revolving Funds formerly used to pay for the external locations (i.e. Leahi Hospital) will be used to fund the UPW janitorial, landscaping and maintenance workforce hired in the Fall 2013 to comply Hawai‘i Revised Statutes. Cost increase to JABSOM \$450,000.	<b>Effective: 9-1-2013.</b>  Net zero effect as all savings to be earned will offset new current UPW costs.

## UH Mānoa Budget

In order to meet the legislatively mandated budget cut, the base budgets of all Mānoa campus units were reduced by 3.1%. JABSOM's share of this reduction amounted to \$985,030. In addition, given that JABSOM has the largest carry-forward balance of any Mānoa unit (averaging \$10M per year), their tuition and fees special fund was reduced by an additional \$1,000,000.

The UH Mānoa Chancellor's Office provided a \$500,000 permanent budget augmentation to JABSOM in FY2013. Given the recent budget cuts to the Mānoa campus, the Chancellor is not able to provide an additional \$500,000 augmentation for FY2014. Assuming no additional reduction in base budget, the School of Medicine's special funds loss by June 30, 2015 is projected as follows:

<b>Means of Funding</b>	<b>Funding Description</b>	<b>Amount</b>
Special	Tobacco Settlement Special Funds – Operations, train & educate	\$2,736,116
Special	Tuition & Fees Special Fund – UH Mānoa Reduction	\$1,985,030
	<b>Total Loss of Funds</b>	<b><u>\$4,721,146</u></b>

## Conclusion

Changing healthcare reimbursements and federal sequestration are presenting funding challenges in all AAMC medical schools and colleges that rely heavily on the National Institutes of Health federal funding and hospital, medical centers and physician group practices clinical revenues to financially subsidize a significant portion of their education and discovery missions. The John A. Burns School of Medicine faces these same challenges. Further state general fund reductions to UH Mānoa may continue to have a financial domino effect and may financially compromise the ability of the school of medicine and other UH Mānoa schools and colleges to fully cover their costs. Additionally, these reductions cause a decline in faculty and staff morale and retention. A delay in performing deferred maintenance of aging buildings instead of repair will result in declining conditions at the Kaka'ako facilities and discourage undergraduate, graduate and medical students from choosing to stay in Hawai'i to attend the University of Hawai'i to earn their advanced degrees.

The budget reductions that UH Mānoa has received will require that the School of Medicine seek other means of support to replace the future loss of tobacco settlement special funds by the fiscal year 2014. Efforts are underway to seek such support.