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# Navigating Through the Economic Turbulence

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**David S. Hefner**

President

University of Chicago Medical Center

[david.hefner@uchospitals.edu](mailto:david.hefner@uchospitals.edu) 773-702-6240

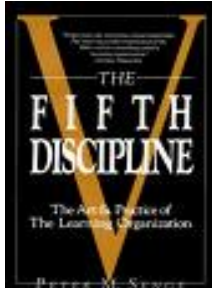
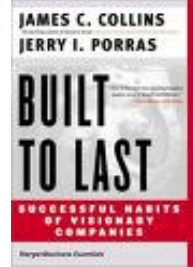
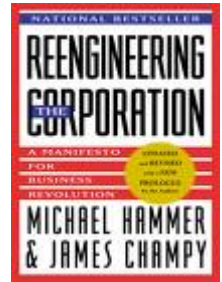
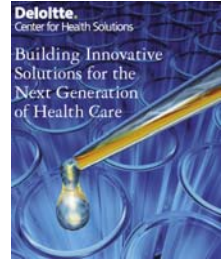
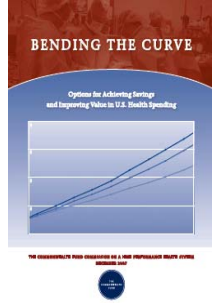
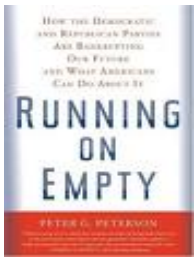
**GBA/GIP Joint Annual Meeting**

**New Orleans, LA**

**April 23-25, 2009**

# Part 1: An informed consent process: Where I stand

1. We have a wholly unsustainable “system”
2. Universal Coverage + Financing ≠ Reform
3. Pre-occupation with the Revenue Curve (which we are incredibly parochial and protective of)
4. Real reform lays under the Cost Curve by eliminating the waste, duplication, redundancies, inefficiencies, unnecessary variations (\$650B of \$2.0T)
5. The Pathway to Quality is Through the Doors of Cost
6. Our core processes require fundamental reengineering enhanced by Information Technology & Leadership Development for sustainability
7. *“Culture eats strategy everyday from lunch (and breakfast and dinner)”*. If we don’t have the courage to lead a state change, then we should stop complaining



## Part 2: An informed consent process

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8. In addition to Academic Medicine, we will cover many disciplines → Wall Street, zoology, geology, astronomy, philosophy, Hollywood
9. Balanced view of reality which is not intended to be heartwarming nor has a “happy ending”
10. Audience participation is required
11. Jack asked for ‘Hefner idioms’, so I am obliging
12. **\*WARNING\*** due to the **graphic** nature of this presentation, **viewer's** discretion is advised

**WARNING!! GRAPHIC PICTURES MAY NOT BE SUITABLE FOR SOME VIEWERS!**

**What is the  
Diagnosis?**



# Seven Predictions

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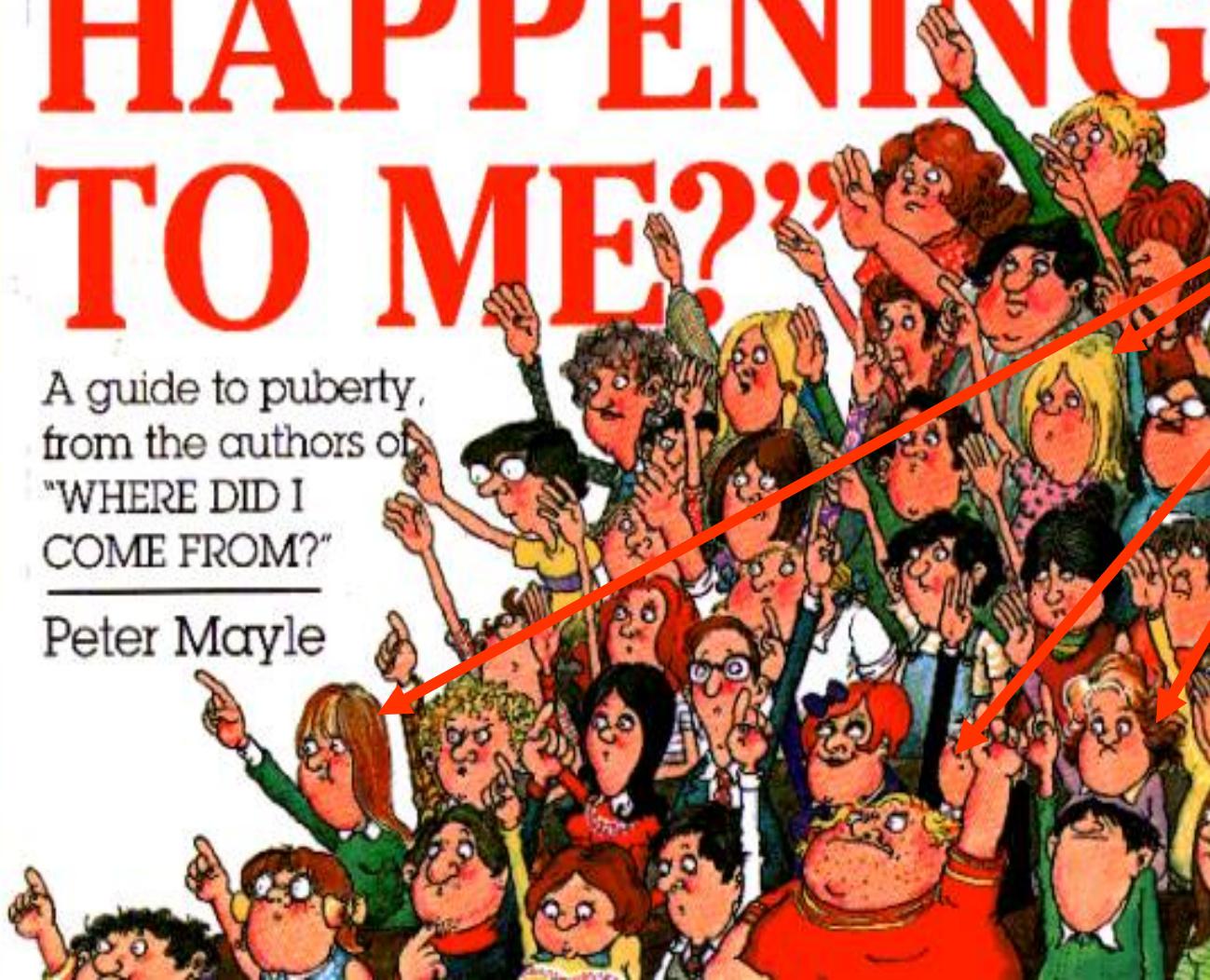
- **Prediction #1**: We (AMCs & Higher Ed) are under tremendous economic stress which the fragmented structures only exacerbate ..  
...where the pressures differ but overlap, and are not well understood ...  
... and will lead to sub-optimal behaviors...  
...and engender more bad behaviors throughout the ecosystem.
- **Prediction #2**: These sub-optimal behaviors will escalate and lead to a decimation of the ranks.
- **Prediction #3**: The magnitude of the turbulence is bigger than we suspect.
- **Prediction #4**: We are undersizing our responses.
- **Prediction #5**: The fundamental disconnects will be even more exposed.
- **Prediction #6**: “Death is not necessarily imminent”.
- **Prediction #7**: If we do not find the courage to lead, then it will be a “Back to the Future” experience.

FIRST-AID  
FOR PARENTS

# “WHAT'S HAPPENING TO ME?”

A guide to puberty,  
from the authors of  
“WHERE DID I  
COME FROM?”

Peter Mayle



# Prediction #1: We (AMCs & Higher Ed) are under tremendous stress which the fragmented structures only exacerbate ...



Source: Robert Petersdorf, "The Four Horsemen of the Apocalypse", 1982.



# ... where the pressures differ but overlap, and are not well understood ...

- Endowments ↓
- Underfunded pensions ↓
- Philanthropy ↓

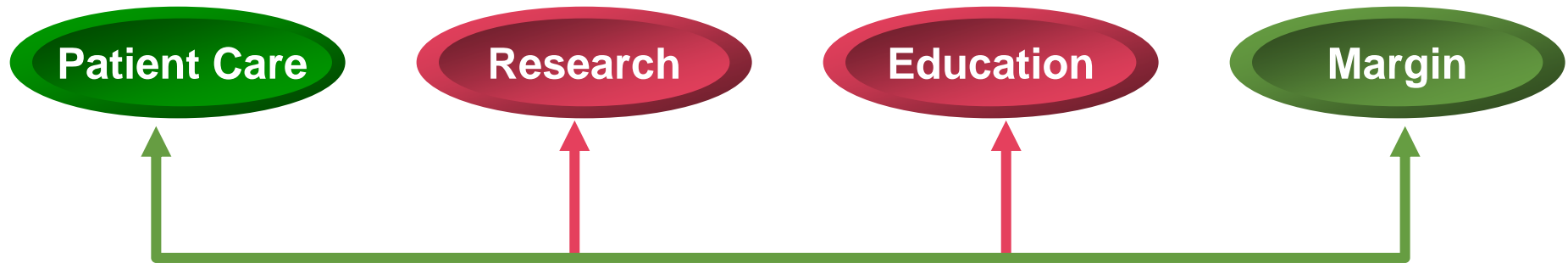
- Patient volumes & reimbursements ↓
- Malpractice funds & pensions ↓
- Cheap borrowing costs & cash flow ↓
- GME under attack ↓



- Endowments & gift funds ↓
- Funded research ↓
- NIH down ↓
- State monies ↓

- Clinical revenues falling ↓
- Funded research ↓
- Endowments & gift funds ↓

# A Fundamental Rule in our Ecosystem (though not well understood)

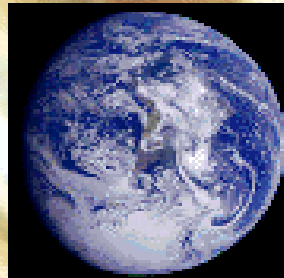


## Clinical Enterprise cross-subsidies to Academics:

### “80/20” Exceptions

- Secure large corporate sponsorship (e.g., Wash U)
- Grow renewable patent streams (e.g., NYU)

Clinical Earnings



Academic Earnings

...and will lead to sub-optimal behaviors....

- Cut transfers to the medical school
- Increase internal tax for central services to School & Health System



**UNIVERSITY**  
President



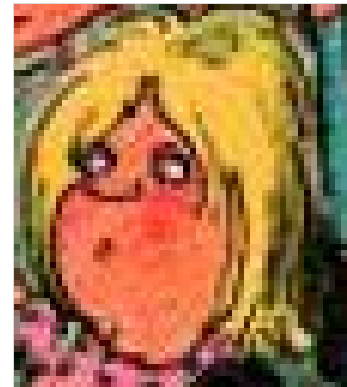
**DEAN**  
of Medical School

- Hold a gun to the Health System's head

- Increase the tax to the Practice Plan
- Increase "deals" to specific Departments
- Hunker down and fend off the Dean, the Chairs, and the Practice Plan



**Health**  
**System**  
President or CEO



**Practice Plan or**  
**Chairs**

- Hold a gun to the....
  - Dean's head
  - Health System's head
  - Practice Plan's head
  - Other Chair's heads

...and engender more bad behaviors throughout the ecosystem

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## Pressures of “Us versus Them” played out at the next level:

- Dean vs Chairs/Departments
  - Chair vs Chief vs Chiefs
    - Chair vs Chair
  - Basic Sciences vs Clinical
- Hospital VPs vs Hospital VPs vs Departments
- Education vs Everyone and Everything Else
- Research vs Everyone and Everything Else



PARAMOUNT



COLLECTION

BURT LANCASTER KIRK DOUGLAS  
**GUNFIGHT AT THE  
O.K. CORRAL**









# Prediction #2: These sub-optimal behaviors will escalate and lead to a decimation of the ranks



# The Kalahari Desert in drought conditions...



The Kalahari during the rainy season...

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# Parable of the Gazelle and the Crocodile



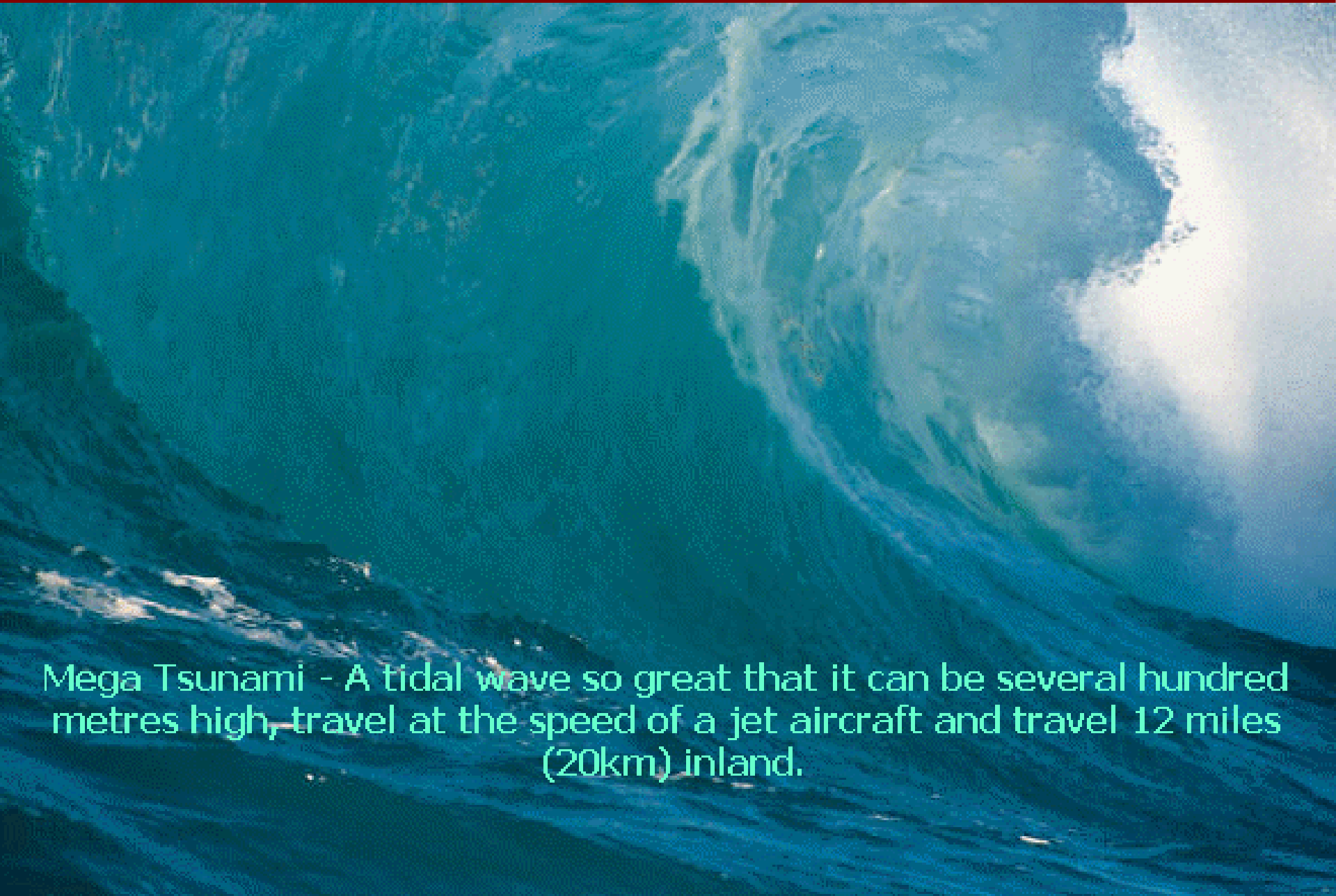
But when the droughts return, an interesting phenomenon occurs:



...the crocs turn on each other!



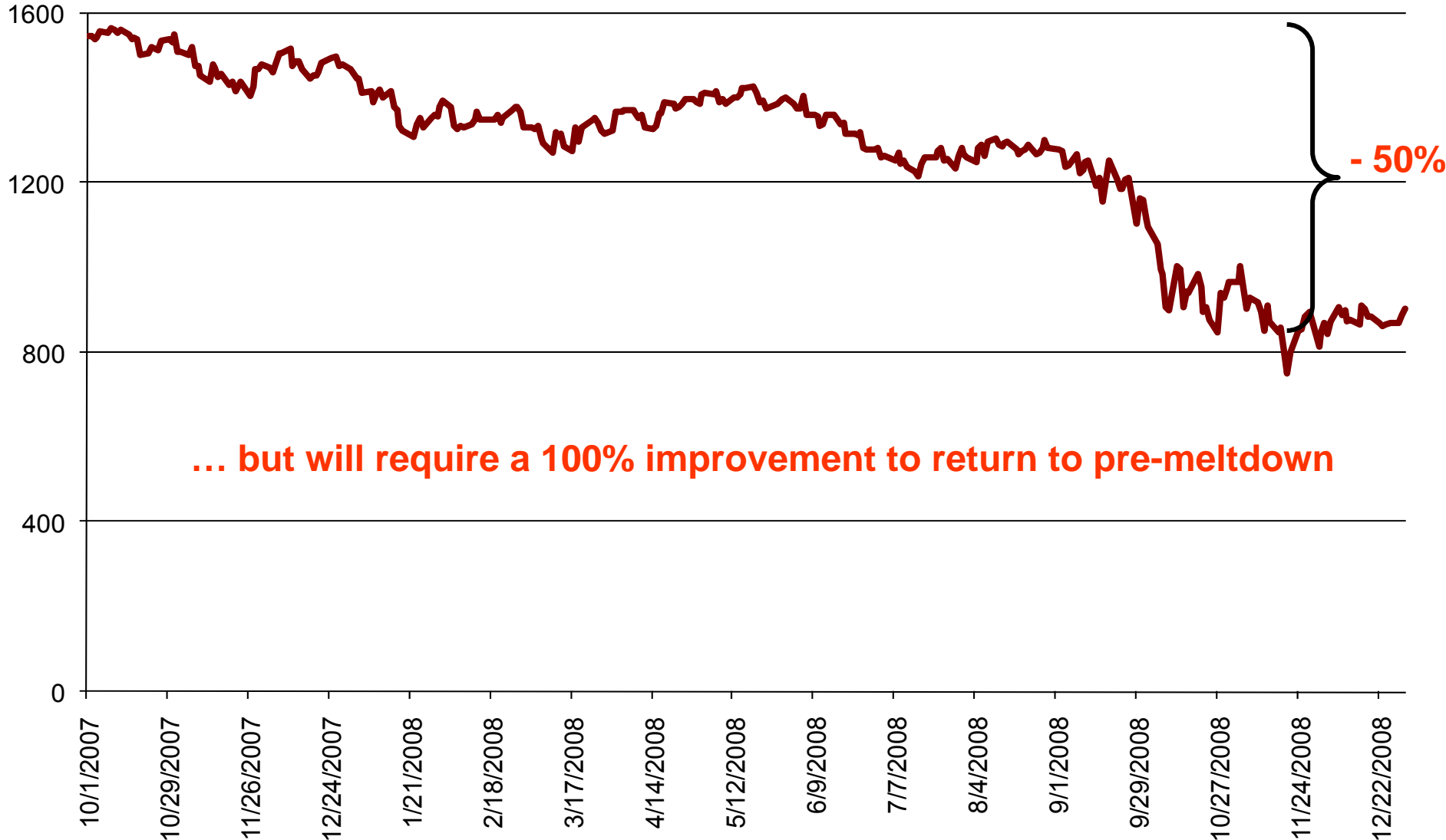
Prediction #3: The magnitude of the turbulence is bigger than we suspect...



Mega Tsunami - A tidal wave so great that it can be several hundred metres high, travel at the speed of a jet aircraft and travel 12 miles (20km) inland.

# U.S. Stock Market Down 40%+ Over 15 Months

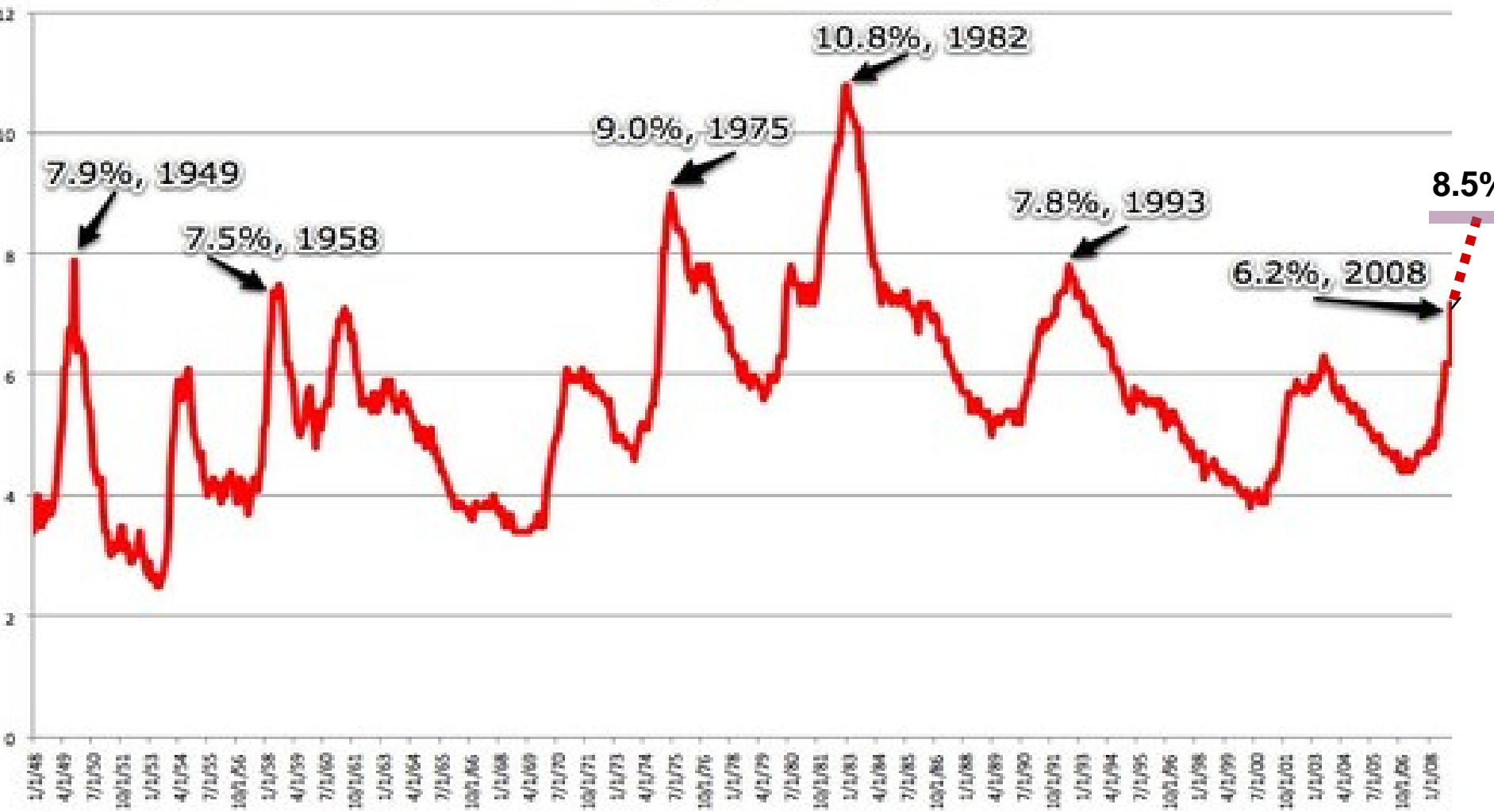
S&P 500: October 2007 to December 2008





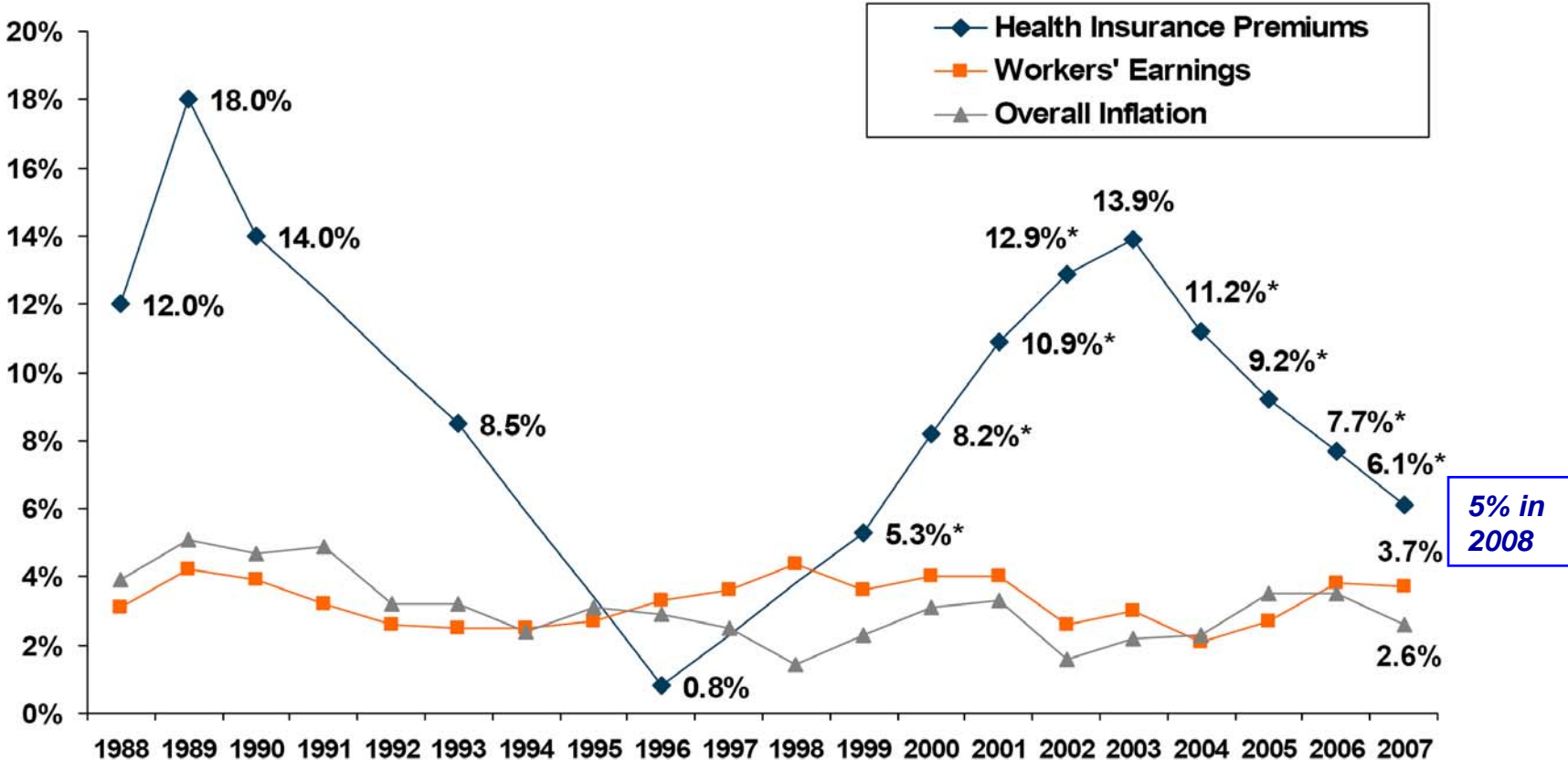
# Unemployment Rising But Still Well Below 1982-83

Unemployment Rate



# Employer Health Premiums Already in Down Part of Cycle

## Exhibit 1: Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2007



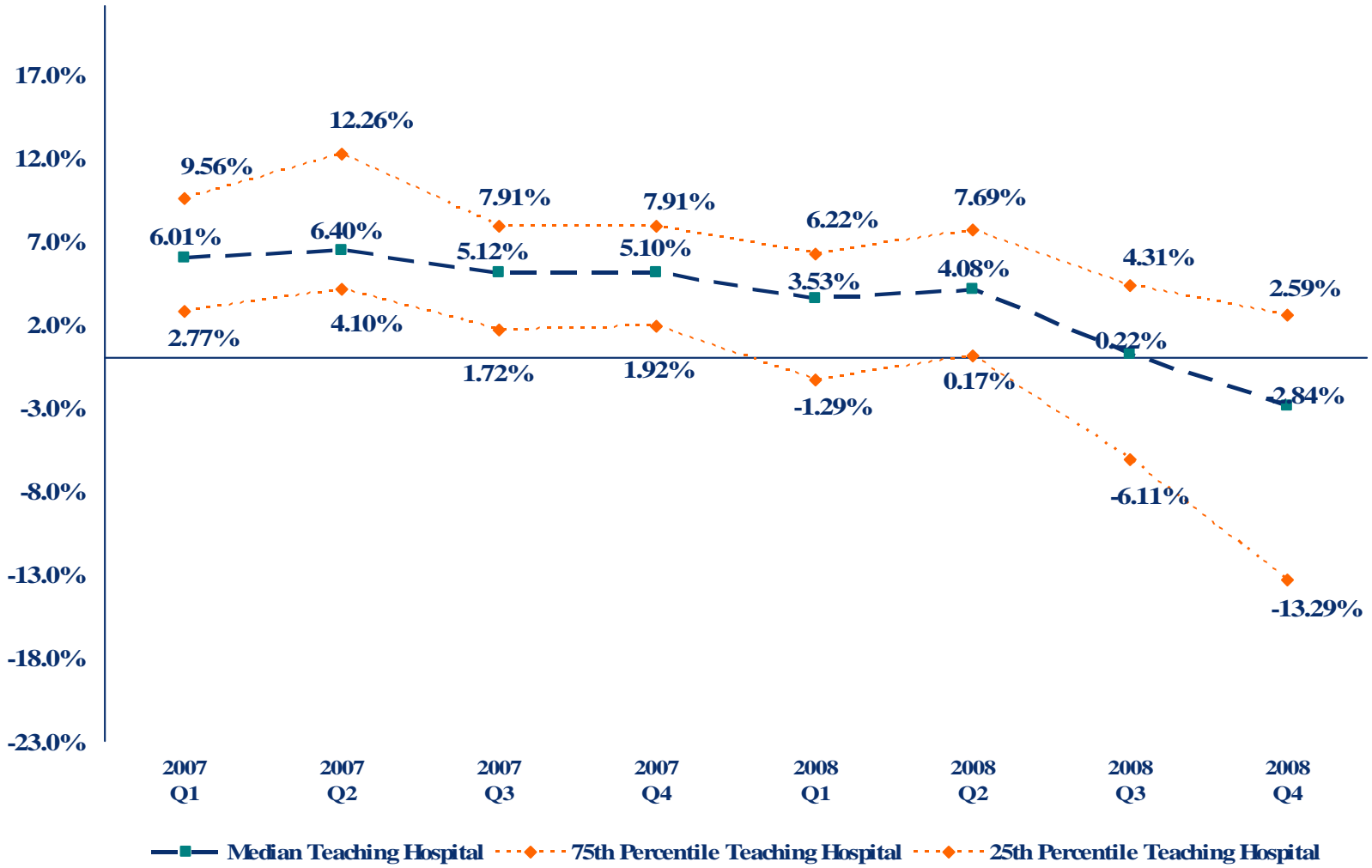
# Consumer Confidence at Lowest Point on Record

## Consumer Confidence Index Conference Board



# Total Margin

*Benchmarked against Median Teaching Hospital • Eight Most Recent Quarters*



—■— Median Teaching Hospital    - - - ♦ - - - 75th Percentile Teaching Hospital    - - - ♦ - - - 25th Percentile Teaching Hospital

Source: AAMC•COTH Quarterly Survey of Hospital Operations & Financial Performance

Note: Based on Consistent Cohort of Respondents. Valid n = 120.

Total Margin = ((Net Patient Service Revenue + Total Other Operating Revenue + Total Non-Operating Revenue - Total Operating Expense) / (Net Patient Service Revenue + Total Other Operating Revenue + Total Non-Operating Revenue)) \* 100



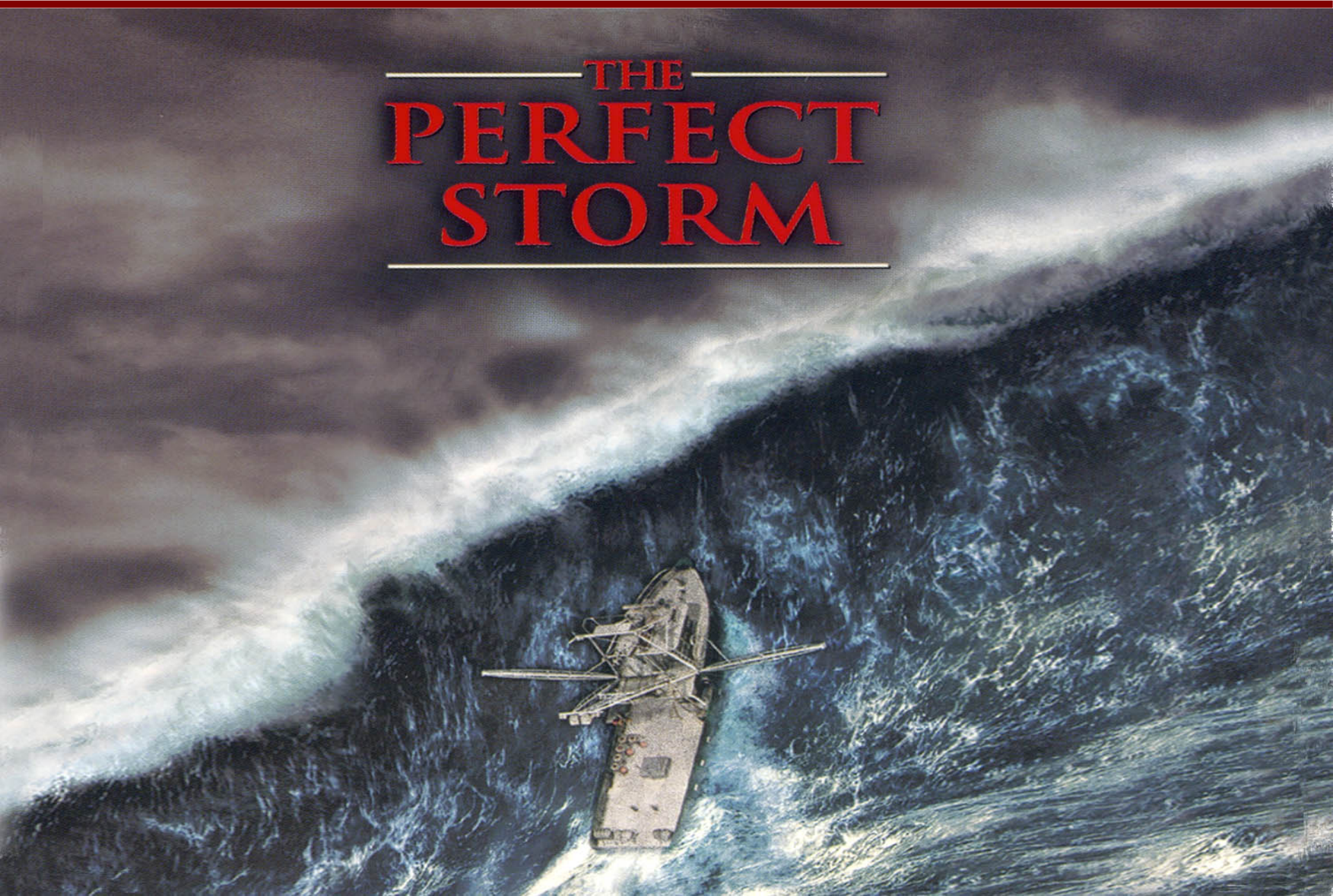
**MOODY'S OUTLOOK ON PROVIDERS, PAYERS, & UNIVERSITIES IS **NEGATIVE FOR THE FIRST TIME EVER.****





Prediction #4: And we are undersizing our responses.

# THE PERFECT STORM



# The UofC Challenge

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- **Revenue is flat (+1-2%) against budget (+6%)**  
(reflecting national trend)
- **Key financial assumptions for recession**
  - Estimated to continue for 3 years
  - Philanthropy flat at best; grants flat
  - Clinical revenue grows 6% rather than 18% over those 3 years
  - Return on endowment
    - FY09     -30%
    - FY10     0%
    - FY11     8%
- **Effect of diminished endowment on financing critical investments**



# Immediate Budget Challenges

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## Happening Now



\$60m - \$75m

## Coming on Line in July

- 2. Base spending increases \$15m
- 3. New Research building coming online \$21m
- 4. Malpractice self-insurance investments \$25m
- 5. Staff pension plan investments \$20m
- 6. Incremental IT costs \$ 5m

# The Choices

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**1. “Wait and see” approach:**

While income continues to decline, wait to see duration of recession

**2. “Incremental” approach:**

Begin to take out cost incrementally as revenue declines

**3. “Major change and restructure” approach:**

Take out cost in one profound step to bridge a prolonged recession

# Trustee Engagement & Feedback

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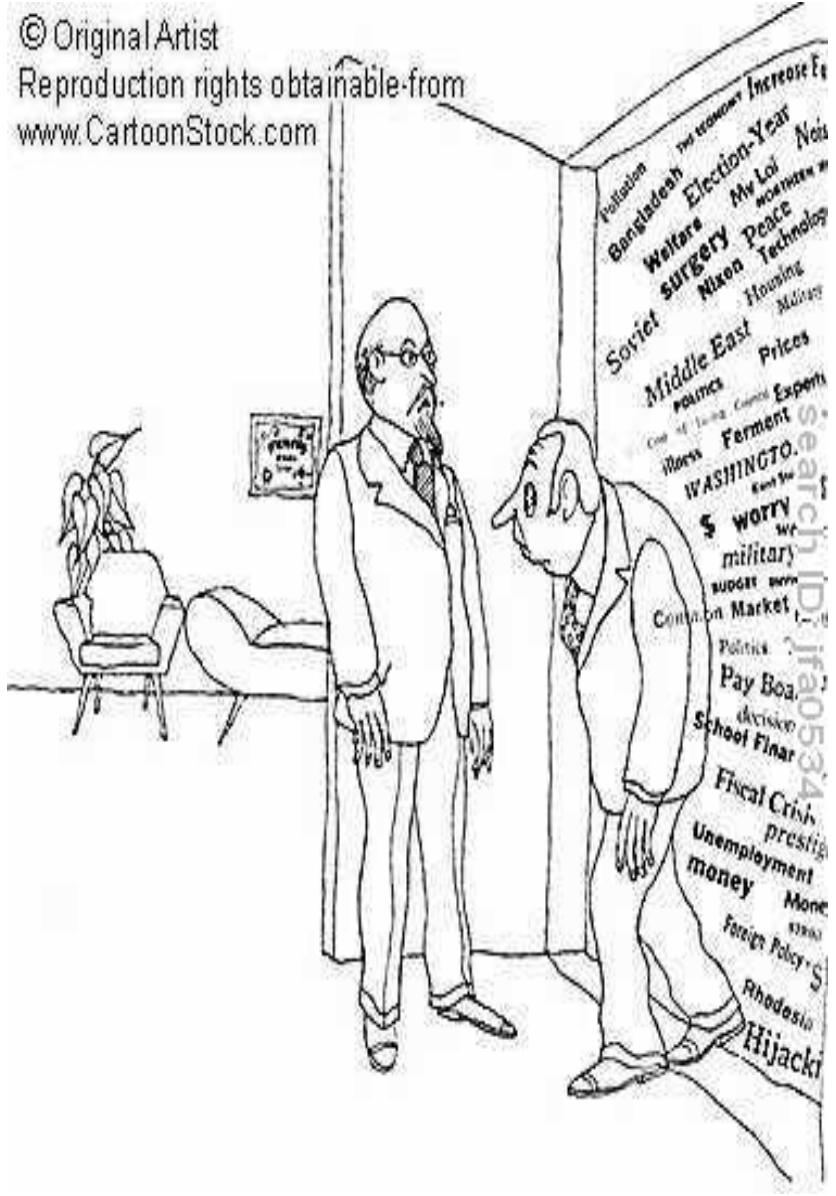
- Expressed appreciation for the 30-month targets (-3%; -6%; -6%)
- However, considerable sentiment the recession will be more severe
- Therefore, we agreed to a more aggressive and immediate 10% overall reduction and absorb inflation over the next 2.5 years.

Prediction #5: The fundamental disconnects will be even more exposed...



# Are you feeling like it is overwhelming?”

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[www.CartoonStock.com](http://www.CartoonStock.com)





## Prediction #6: “Death is not necessarily imminent”

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(think Hahnemann; the BI; Univ of Florida)

However, that which we believe to be solid, may not be...



**EXTRA EXTRA EXTRA**  
**San Francisco Chronicle**  
The Largest Daily Circulation in Northern California  
1254 Year No. 228 \*\*\*\*\* WEDNESDAY, OCTOBER 18, 1909 \*\*\*\*\* 45¢ PER COPY - 10¢ PER COPY

# HUNDREDS DEAD IN HUGE QUAKE

The three-story apartment house at Beach and Throckmold streets lay broken in the roadway as the big, Boston Street bus lurched in the background.

### The Experts' Advice on How to Cope

By Ernest Cramer  
Chronicle Staff Writer

As a shuddered San Area  
more back in 1914, the  
without a minute will  
trying to cope with the  
elements of the next event  
will occur about 1920.

### Oakland Freeway Collapses — Bay Bridge Section Fails

By Betty Clark  
and Sam Funnell  
Chronicle Staff Writers

A stretching earthquake  
ripped through Berkeley  
last night, new structural  
analysis shows that the  
people, including hundreds  
more, were killed along  
of a section of the  
freeway.

### About Today's Chronicle

The special story of the  
Chronicle was written  
and a number of other  
people in the city's  
community of the San  
Francisco area.

The Chronicle of today  
is not a newspaper  
published with a San Francisco  
focus.



However, that which we believe to be solid, may not be...



98.81% of the company to bad bets that were l

13 trading sessions later per share. The total price is about 1/4 the value of Bear was forced to give choice.



**What is the  
treatment plan?**



A close-up photograph of a hand with fingers spread, covered in a thick layer of multi-colored sprinkles (red, blue, yellow, white, and green). The hand is positioned on the left side of the cover, with the fingers pointing towards the right. The background is a solid, light blue color.

# A Million Little Pieces



James Frey

"The most lacerating tale of drug addiction since  
William S. Burroughs' 'Junky'" — THE BOSTON GLOBE

# 5-Step Treatment Plan

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1. Philosophic Musings & Structural Changes
2. Ask and Answer Fundamental Strategic Questions  
(*eg: Should an Academic Medical Center Continue to be "All Things to All People"?*)
3. Integrate Strategy & Budgets While Altering the Funds Flow
4. Significantly Reduce the Cost Base by Removing the Waste, Duplication, Inefficiencies, and Variations
5. Generating the Courage to Lead

No matter how it seems, we really are all interconnected

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**Philosopher Dr. King**

*In a real sense all life is inter-related.*

*All men (AMCs) are caught in an inescapable network of mutuality, tied in a single garment of destiny. Whatever affects one directly affects all indirectly.*

**- Martin Luther King, Jr.**

# And your Chairs are your fundamental points of leverage

ARTICLE

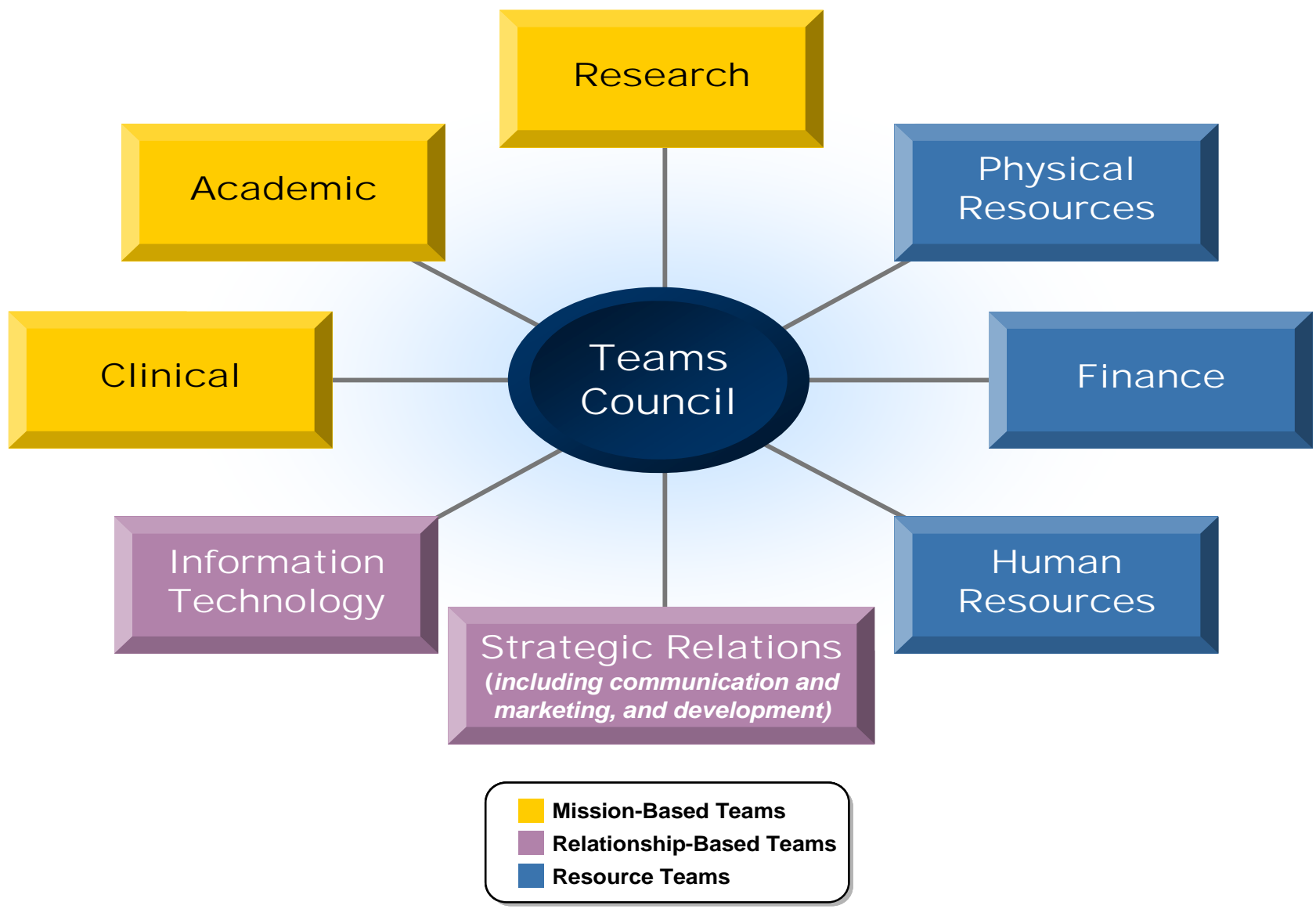
## The Future-Oriented Department Chair

*R. Kevin Grigsby, DSW, David S. Hefner, MPA, Wiley W. Souba, MD, ScD, MBA, and  
Darrell G. Kirch, MD*

## Leveraging Chairs and Division Chiefs to Build a Culture that Gets Results

BY DAVID S. HEFNER AND WILEY W. SOUBA, MD, SCD, MBA

# Form Interdisciplinary teams that can confront and appreciate the complexities





What is the plan, Stan?

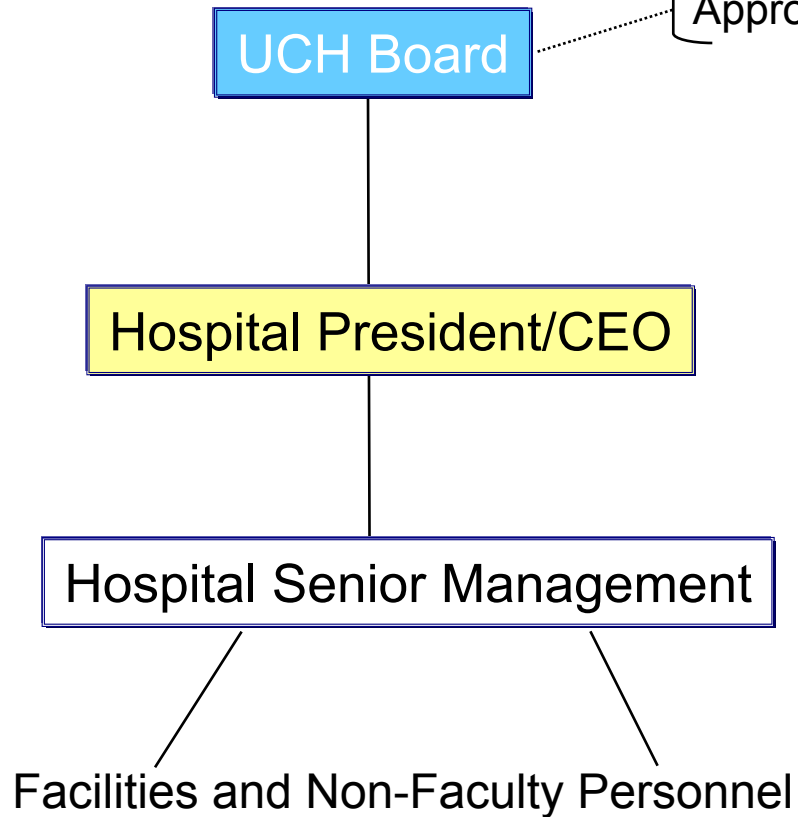
Philosopher Maguire



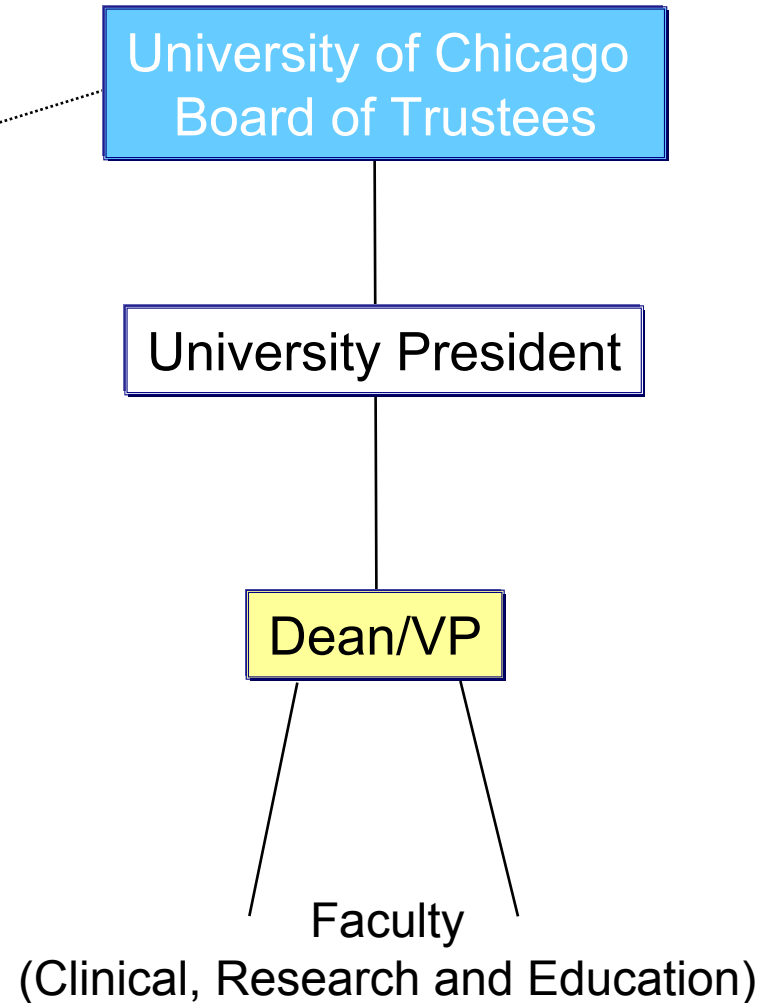
“~Help me...  
help you,  
help me,  
help you...~”

Prior to 2006, UofC had a traditional governance structure

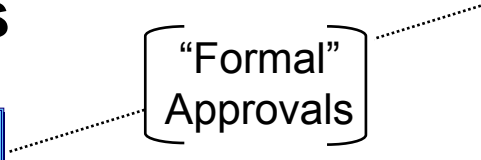
## University of Chicago Hospitals



## University of Chicago



“Formal” Approvals



# UofC unified governance



\$1.7 Billion



Integrated Patient Care  
Hospital & Prof Service

UCMC \$1.3B

Teaching & Research in  
Biology & Medicine

BSD \$400M

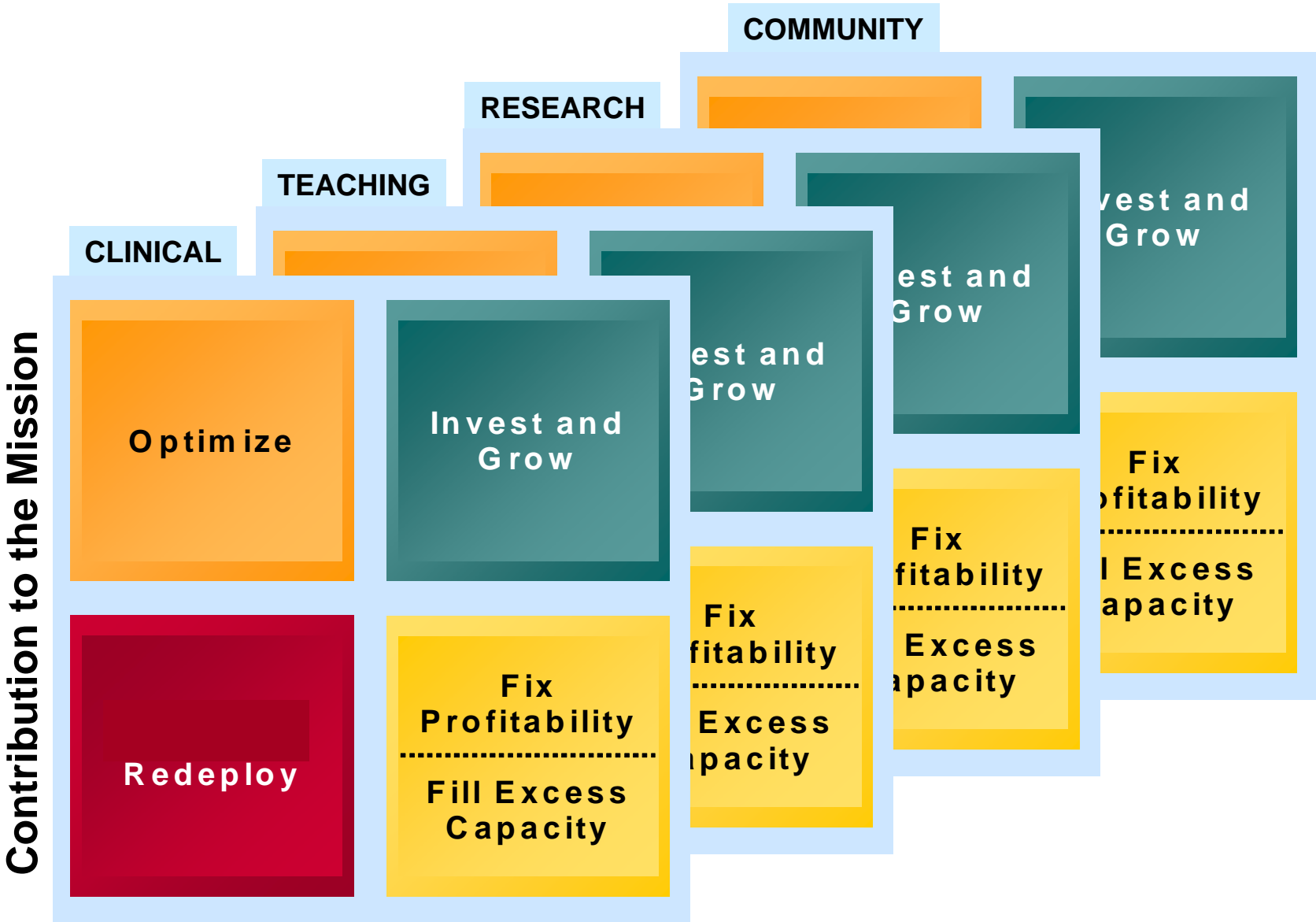
**(However, structure is helpful but insufficient)**

# UofC 5-Step Treatment Plan

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# UofC Developing a “4-Box” Mentality



## Economic Impact & ROI Potential

# UofC Government Policy Tells Us to Reshape our Portfolios

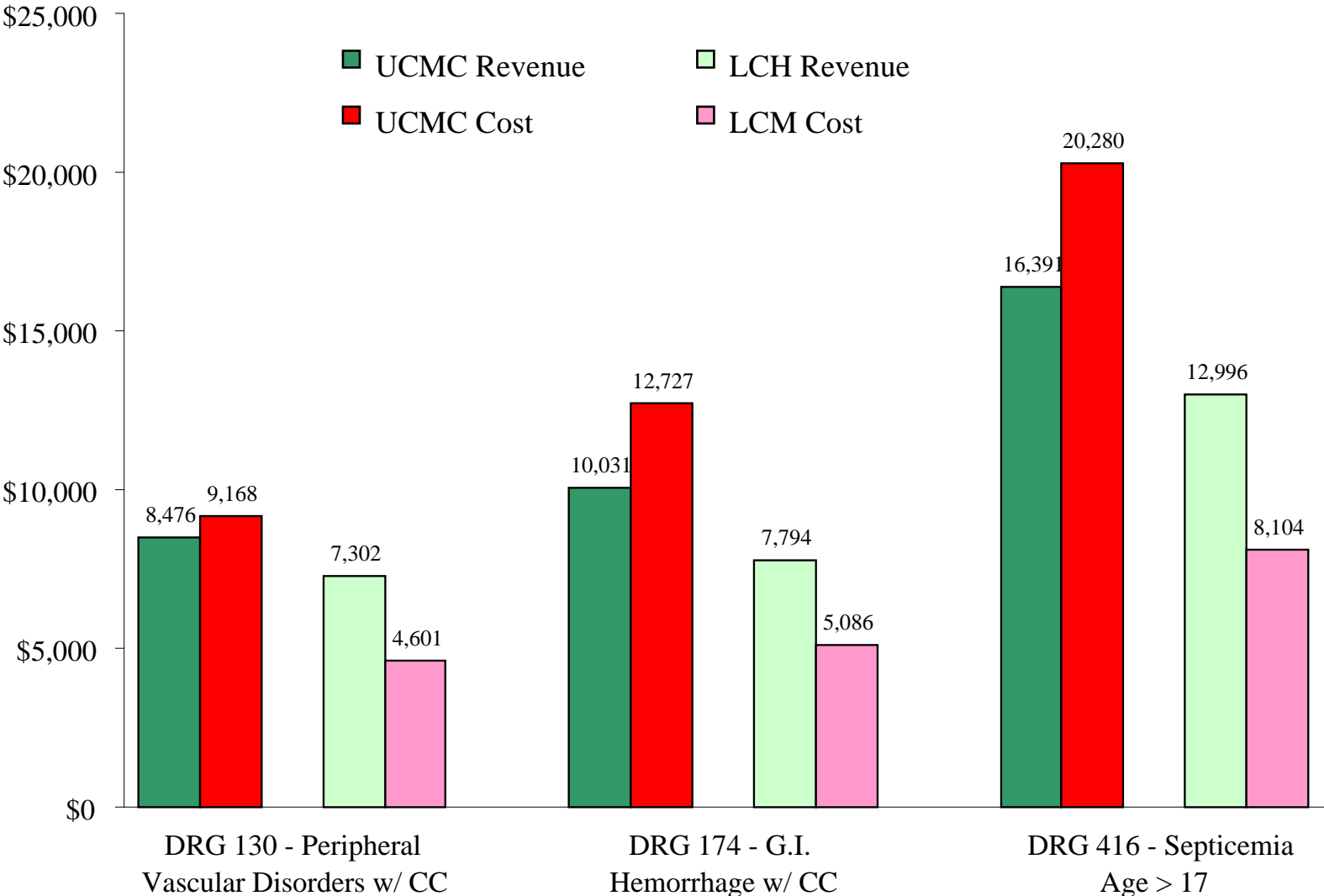
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For \$1 million of societal resources (that is, cost), UCMC could produce:

- 24 complex neurosurgery cases (craniotomy age>17 w/ complications)  
Medicaid would pay \$1,019,000.... for a UCMC gain of **\$19,000**
- 56 routine neurosurgery cases (craniotomy age>17 w/o complications)  
Medicaid would pay \$959,000.... for a UCMC loss of **\$(41,000)**
- 177 normal (vaginal) deliveries  
Medicaid would pay \$727,000.... for a UCMC loss of **\$(273,000)**
- 2,179 outpatient internal medicine visits (with routine ancillaries)  
Medicaid would pay \$163,000.... for a UCMC loss of **\$(837,000)**
- In contrast, FQHC clinics could provide 6,289 visits  
Medicaid would pay \$1,082,000.... for an FQHC gain of **\$82,000**

# Community Hospitals (& Patients) Can “Win” on Medicare DRGs

FY06 Medicare Revenue and Expense for Selected DRGs at UCMC and Local Community Hospital



# UofC Implementing a Series of Difficult Choices

- PeriOp Flow
- Bed Capacity & Control
- Ambulatory Care
- Entire Labor Pool



- Cancer
- GI
- Advanced Surgery
- Neurosciences
- High Tech Imaging
- Highly Distinctive Programs

- Inpatient Psychiatry
- General Ophthalmology
- Low Risk Obstetrics
- General Medicine
- General Pediatrics
- Another 30 Gen Med Beds
- 8 ICU beds
- Emergency Dept Triage
- Faculty Attrition & Hiring

- Supply Chain
- Revenue Cycle



# UofC 5-Step Treatment Plan

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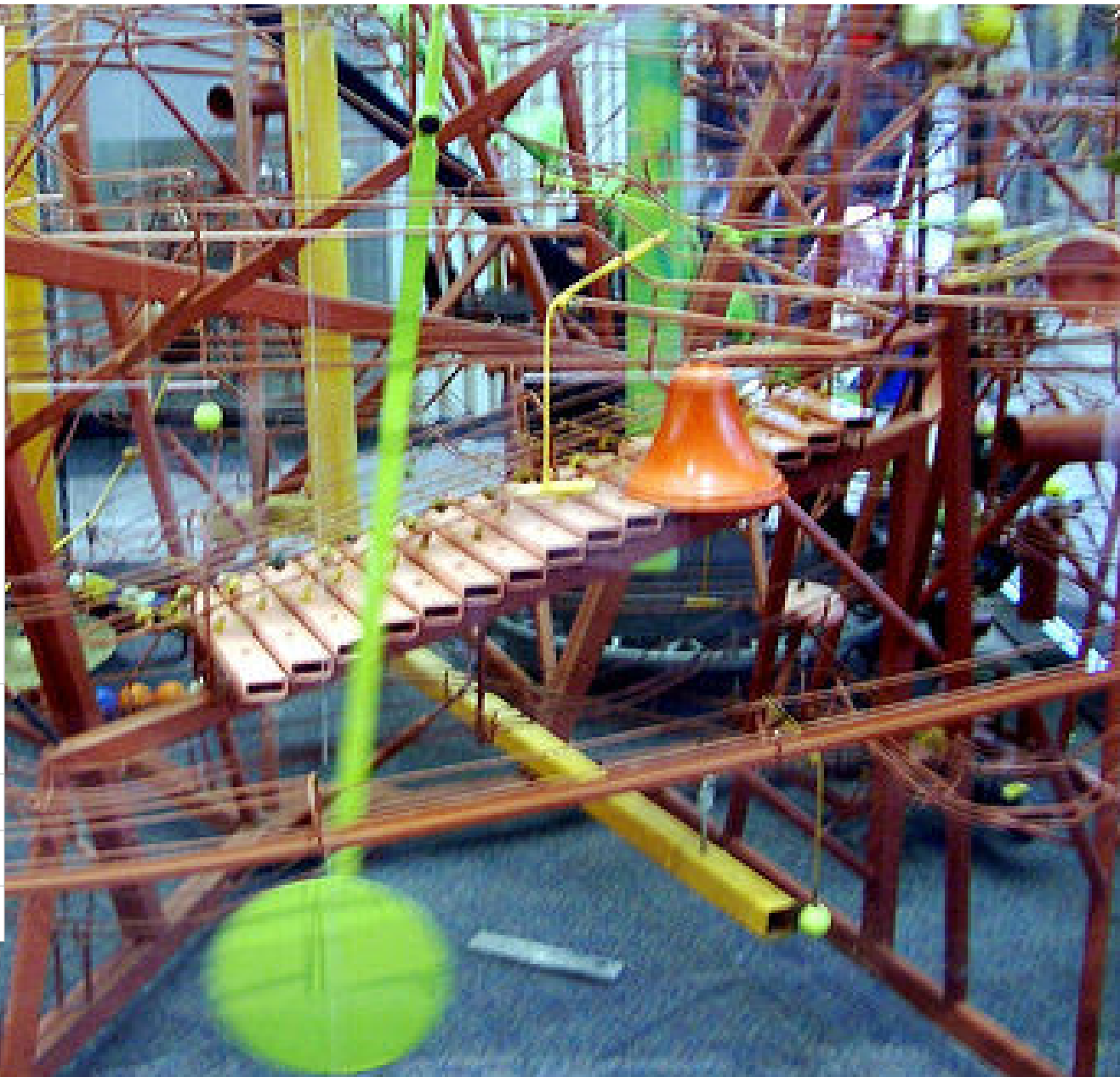
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# What is this and who is this?

Rube Goldberg, 1928



<b>Born</b>	9 July 1883 San Francisco California
<b>Died</b>	7 December 1970
<b>Nationality</b>	American
<b>Occupation</b>	Cartoonist, Artist, Inventor



# ACADEMIC MEDICINE'S SHELL GAME



School of Medicine

RESEARCH

EDUCATION

CLINICAL CARE

## ENTERPRISE-WIDE STRATEGY

Clinical Mission 5 Year Plan

Academic Mission 5 Year Plan

### YEARLY OPERATING BUDGET

### 5 YR CAPITAL BUDGET

1. Agree upon capital spending envelope
2. Organize capital budget template for each and every request
3. Assign “total cost of ownership” for each request
4. Prioritize the spend

1. Revenue allocations by mission
2. Faculty compensation expense allocations by mission
3. Staff and non-wage expense allocations by agreed upon methodology
4. Productivity metrics by Department by Faculty member
5. Organize budget templates for each Department & Cost Center
6. Organize Budget Oversight Team with cross-representation
7. Run the process

... with Interdisciplinary Team Members

**CAPITAL BUDGET**  
*(min 3 yr. commitment)*



**BUDGET OVERSIGHT  
COMMITTEE**  
*(min. 1 yr. commitment)*

1. Surgery Chair
2. Ophthalmology Chair
3. Basic Sciences Chair
4. Chief Medical Officer & Clinical Dean
5. Medical Education Dean
6. Research Dean
7. Practice Plan COO
8. CFO
9. CIO
10. UCMC President

**Broad  
faculty  
&  
management  
membership**

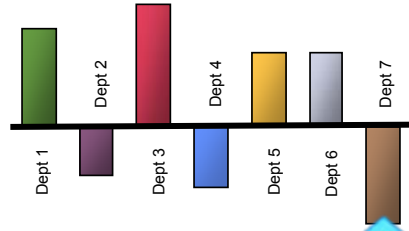


# Recast the Internal Funds Flow by Applying Methodologies in the Light of Day

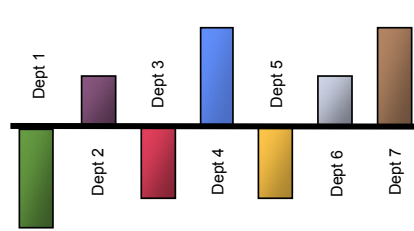
SOM Funds Flow

Hospital Funds Flow

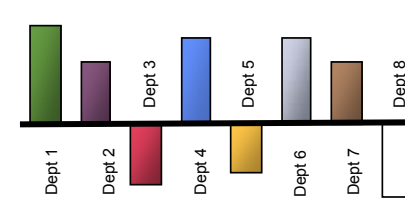
**STEP 1:**  
Current Department P/L's  
from Mission-Based Budgets



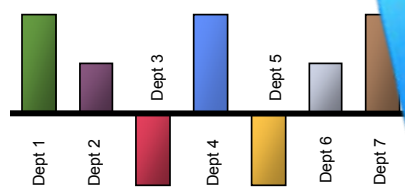
**STEP 2:**  
New Cost Allocation  
of Clinic Costs



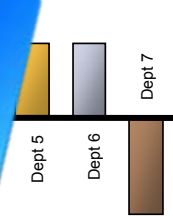
**STEP 3:**  
Removing Exemptions from  
Dean's Taxes



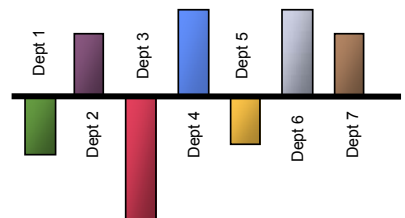
**STEP 4:**  
New Tax & Assessment Allocation  
Methodology



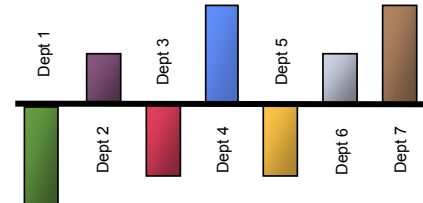
**STEP 5:**  
Reallocation of Tuition Education  
Funds



**STEP 6:**  
Redistribution of Hospital Allocations



**Final Step:**  
Allocation &  
Distribution Model



**Implement & Manage Chairs to new bottomline; Link to Department, School, & Hospital Strategic Plans**

# UofC 5-Step Treatment Plan

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1. Philosophic Musings & Structural Changes
2. Ask and Answer Fundamental Strategic Questions  
(*eg: Should an Academic Medical Center Continue to be "All Things to All People"?*)
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# UofC Macro-Economic Revenue Impact

## Revenues

***Current run-rate***

**\$1.5b**

***Prior 3 year growth path***

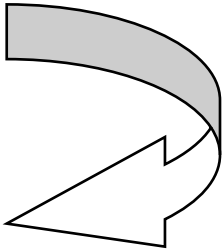
**3 years X 6% = 18%**

***Current 3 year expectation***

**6% total over 3 years = 6%**

***Total impact on revenues***

**△ 12% x \$1.5b = \$180m**





# UofC Macro-Economic Expense Impact

## Expenses

**Current run-rate \$1.5b**

**\$1b “controllable” budget  
(allocations to six budget groups)**

**(2/3 labor + 1/3 non-labor)**

**\$500m depreciation,  
interest, insurance, costs  
recovered from grants &  
professional fees**

**-10% cost reduction achieved now = \$100m run-rate  
[ -10% labor ~ 900 positions across faculty/staff ]**

**+**

**Absorb 4% inflation (2x\$40m) for FY10 & FY11 = \$80m**

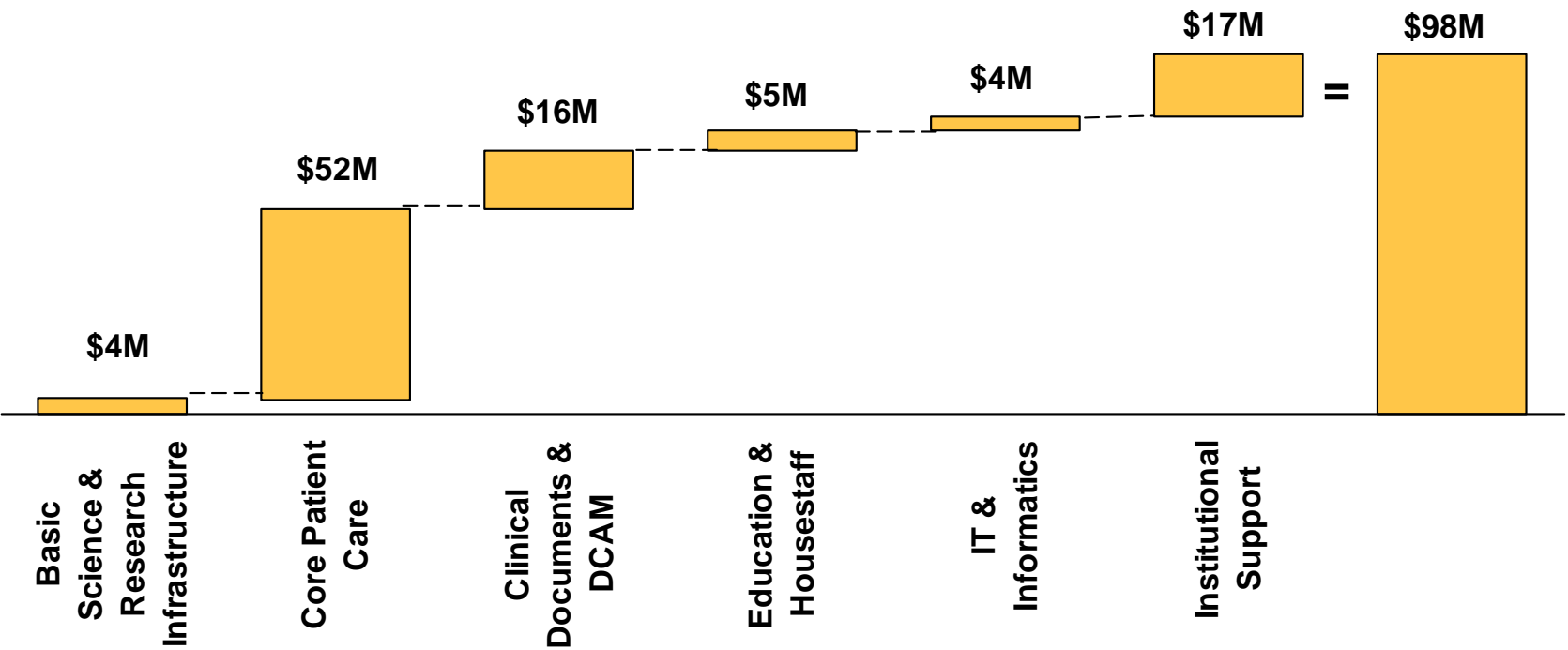
**Total impact on expense base = \$180m**

# UofC 10% Targets Allocated to 8 Major Budget Groups

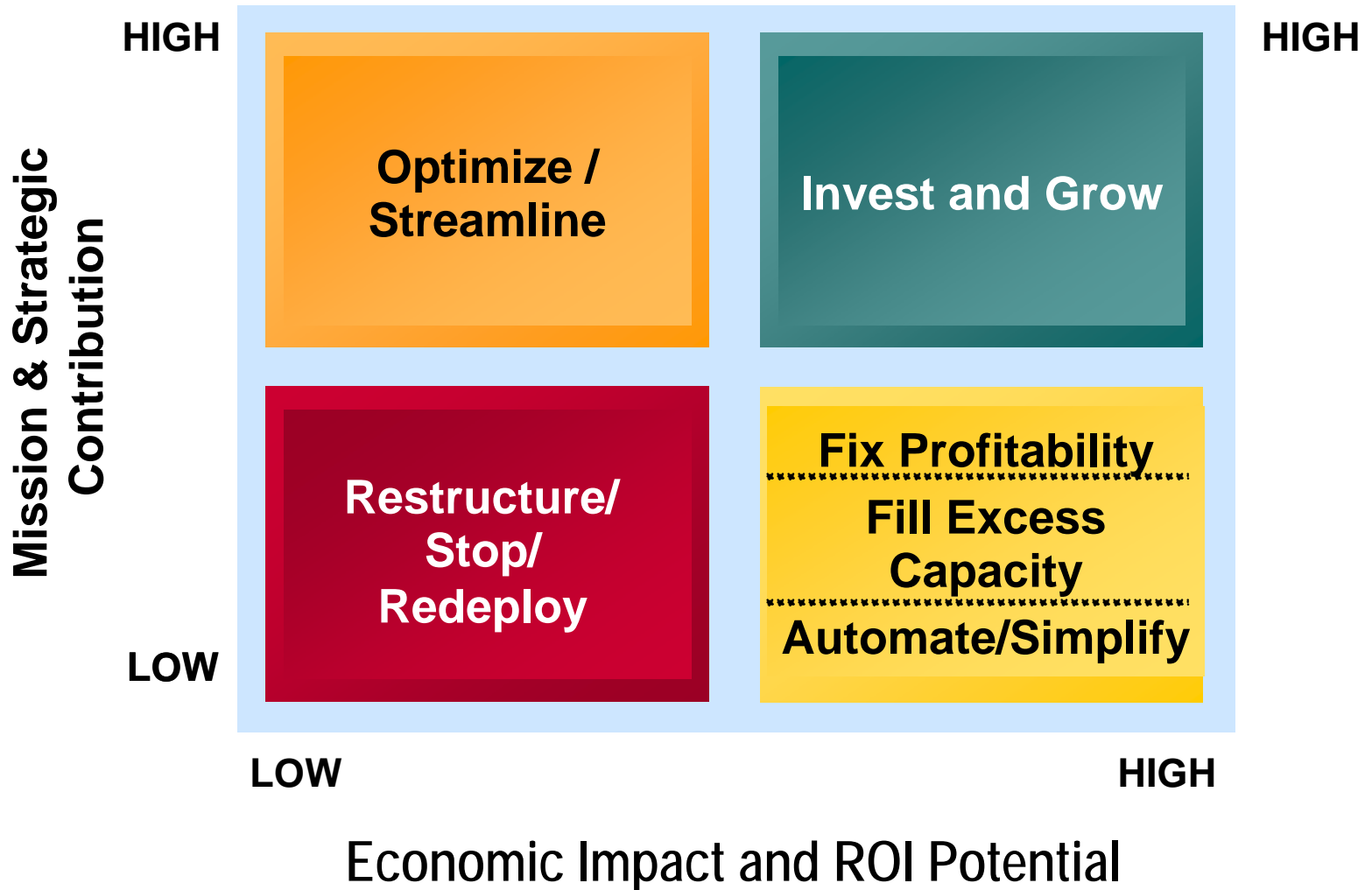
Major Budget Group	Target 10%	Leads <i>(accountable person)</i>
1) Basic Science and Research Infrastructure	\$4M	<u>Vinay Kumar</u> , Neil Shubin, Jane Schumaker
2) Clinical Departments and DCAM Clinics	\$16M	<u>Harvey Golomb</u> , Carolyn Wilson
3) Core Patient Care Operations	\$52M	<u>Carolyn Wilson</u> , Harvey Golomb
4) Education and Housestaff	\$5M	<u>Holly Humphrey</u> , Gerard Mikols, Mike Simon
5) Information Technology & Informatics	\$4M	<u>Eric Yablonka</u> , Conrad Gilliam, David Hefner
6) Institutional Support	\$17M	<u>Ken Sharigian</u> , Larry Callahan
7) Capital Budgets	\$20M per year	<u>David Ho</u> , Jane Schumaker, David Hefner
8) Revenue Enhancement	2% per year	<u>Lawrence Furnstahl</u> , Ken Sharigian, Mayumi Fukui, David Ho

# UofC Allocation of the \$98M Targeted Savings

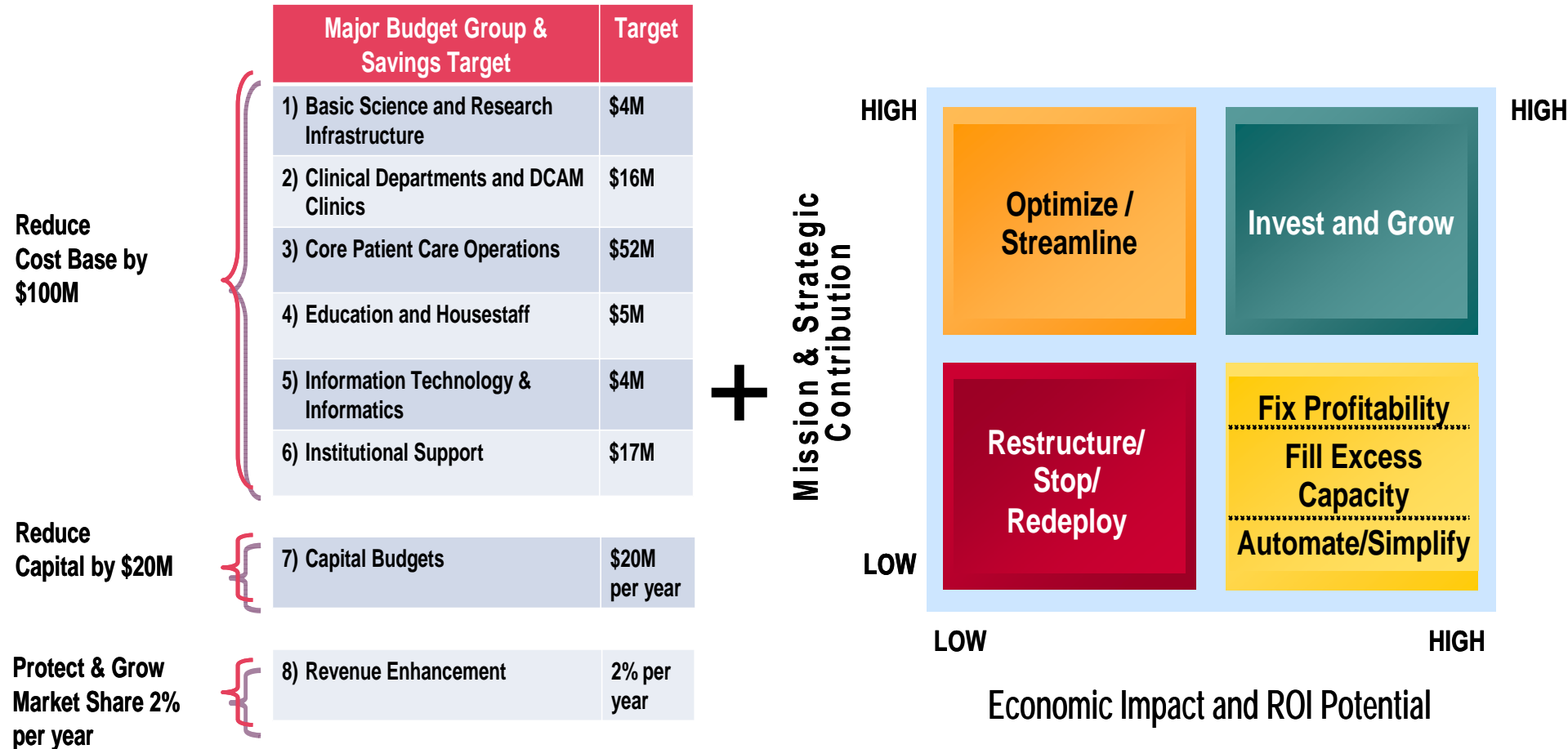
## 30-month Targets at 10% Savings



# UofC Thought Process of “Four-Box” Thinking



# UofC: 10% Targets & 4-Box Thinking Considered in Tandem



# UofC 10% Targeted Reductions by Major Budget Group

<b>Basic Science &amp; Research Infrastructure</b>	
Faculty sizing	\$1.4
Admin. & Committee restructuring	1.1
Research infrastructure	0.6
Overhead expense savings	0.3
<b>Subtotal - Basic Science</b>	<b>\$3.4</b>

<b>Medical Education &amp; Housestaff</b>	
Admin. & service restructuring	\$2.3
North Shore resident redeployment	1.7
Overhead expense savings	0.8
<b>Subtotal - Education &amp; Housestaff</b>	<b>\$4.8</b>

<b>Clinical Departments &amp; Clinics</b>	
Staff sizing & deployment	\$5.7
Targeted programmatic changes	3.6
Overhead expense savings	3.4
Ambulatory re-design	3.1
Faculty reconfiguration	1.6
<b>Subtotal - Clinical Departments</b>	<b>\$17.4</b>







<b>IT &amp; Informatics</b>	
Staff restructuring	\$3.2
Retire software early	0.8
Reduced training & travel	0.6
<b>Subtotal - IT &amp; Informatics</b>	<b>\$4.6</b>

<b>Core Patient Care Operations</b>	
Staff reconfiguration	\$28.9
Consulting & supply savings	9.9
Nursing unit changes	6.5
Offsite services	4.1
Outpatient pharmacy	1.5
<b>Subtotal - Core Patient Care</b>	<b>\$50.9</b>

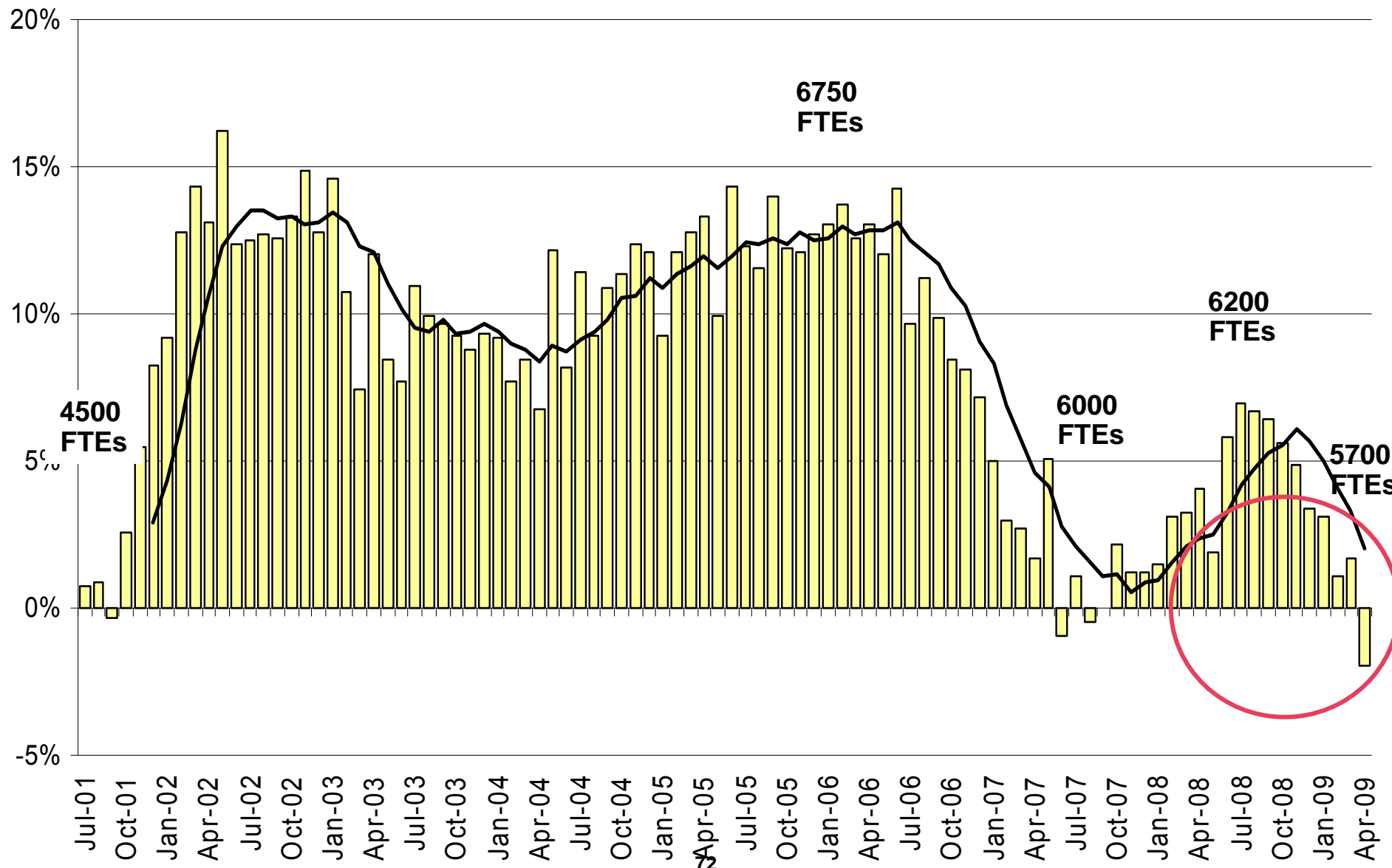
<b>Institutional Support</b>	
Eliminate vacancies, reduce S&S	\$6.8
Reduction in facility services	5.2
Reduction in senior staff	3.7
Moderate growth in Develop. & UHI	1.7
<b>Subtotal - Institutional Support</b>	<b>\$17.4</b>

70 **Total savings identified to date** **\$98.5**

# UofC FY10 Forecast as of April 1, 2009

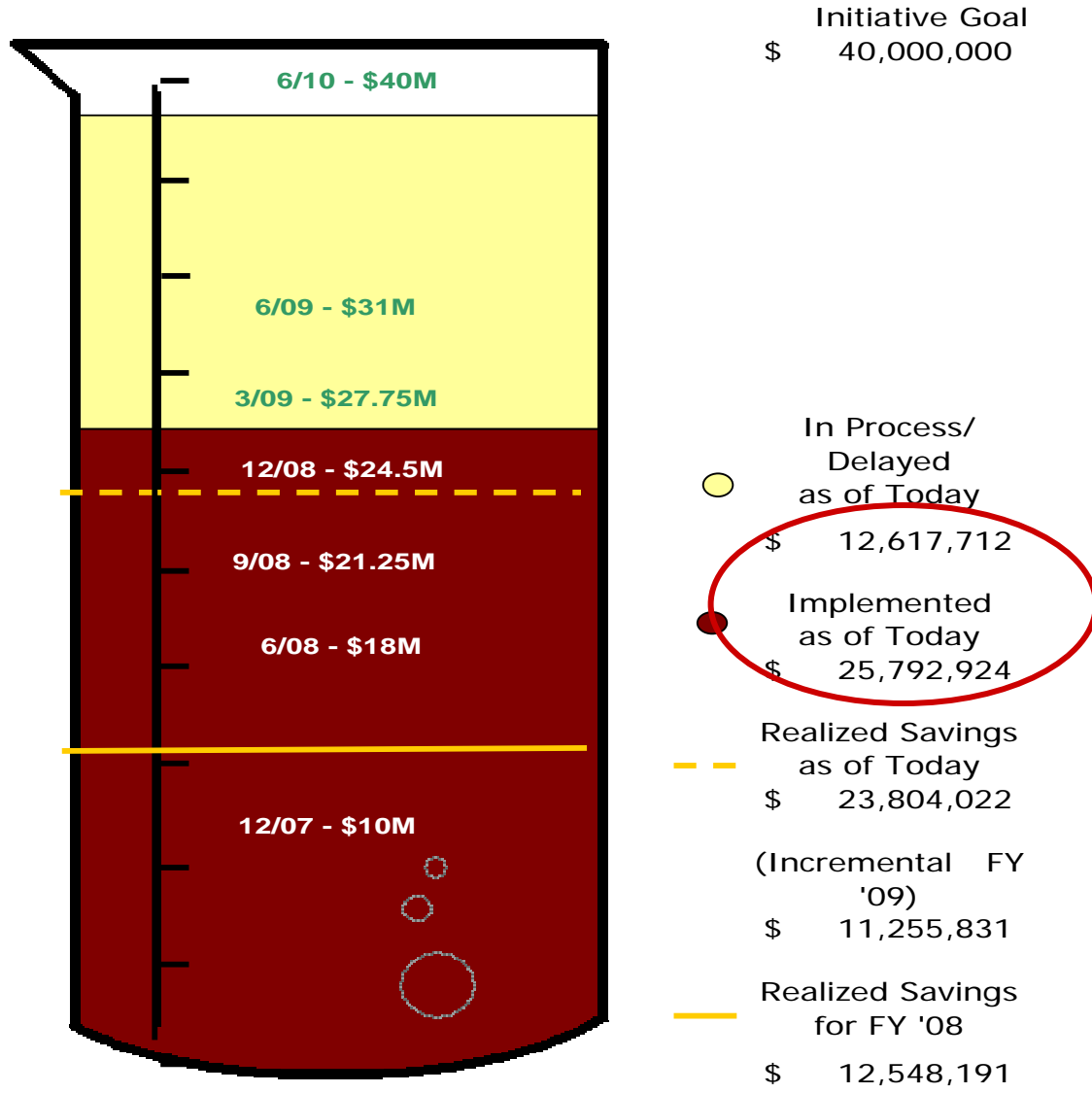
Budget Committee	Status Indicator	Target Reduction %	FY 2009 Budget (Base Year)	Assigned Target	Identified	Identified, Discounted for Confidence Level	Implemented
Basic Science and Research		10%	\$ 44,776,866	\$ 4,477,687	\$ 3,729,306	\$ 2,526,375	\$ 567,095
Core Patient Care		10%	\$ 518,782,049	\$ 51,878,205	\$ 50,653,008	\$ 39,881,953	\$ 22,909,945
Clinical Departments and Clinics		10%	\$ 162,789,917	\$ 16,278,992	\$ 18,495,750	\$ 13,560,975	\$ 5,861,000
Education and Housestaff		10%	\$ 48,014,146	\$ 4,801,415	\$ 4,271,000	\$ 3,778,900	\$ 1,610,000
IT and Informatics		10%	\$ 35,372,669	\$ 3,537,267	\$ 4,611,499	\$3,926,349	\$ 2,682,188
Institutional Support		10%	\$ 167,313,497	\$ 16,731,350	\$ 19,053,990	\$ 17,148,591	\$ 16,357,891
Phoenix CPOE - Operating					(\$5,000,000)	(\$5,000,000)	
Unattributed RIF/Attrition Impact (net severance)					\$1,555,745	\$1,555,745	
<b>Grand Total</b>			<b>\$ 977,049,144</b>	<b>\$ 97,704,914</b>	<b>\$ 97,370,298</b>	<b>77,378,838</b>	<b>\$ 49,988,119</b>

# UofC Staff: Hospital & Clinic Payroll (2001 – Feb, 2009)



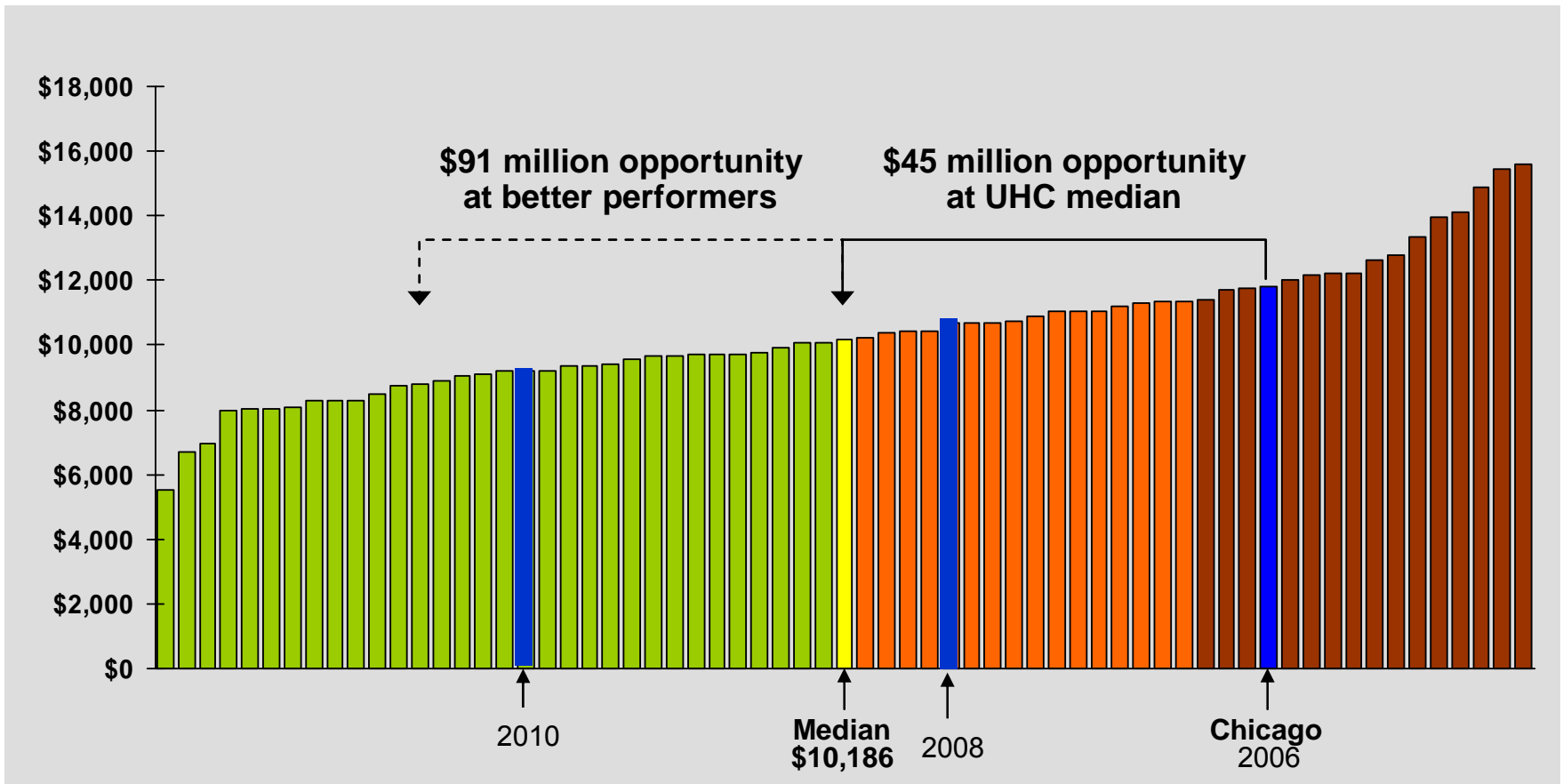


# UofC \$40M Non-Labor Supply Chain Initiative

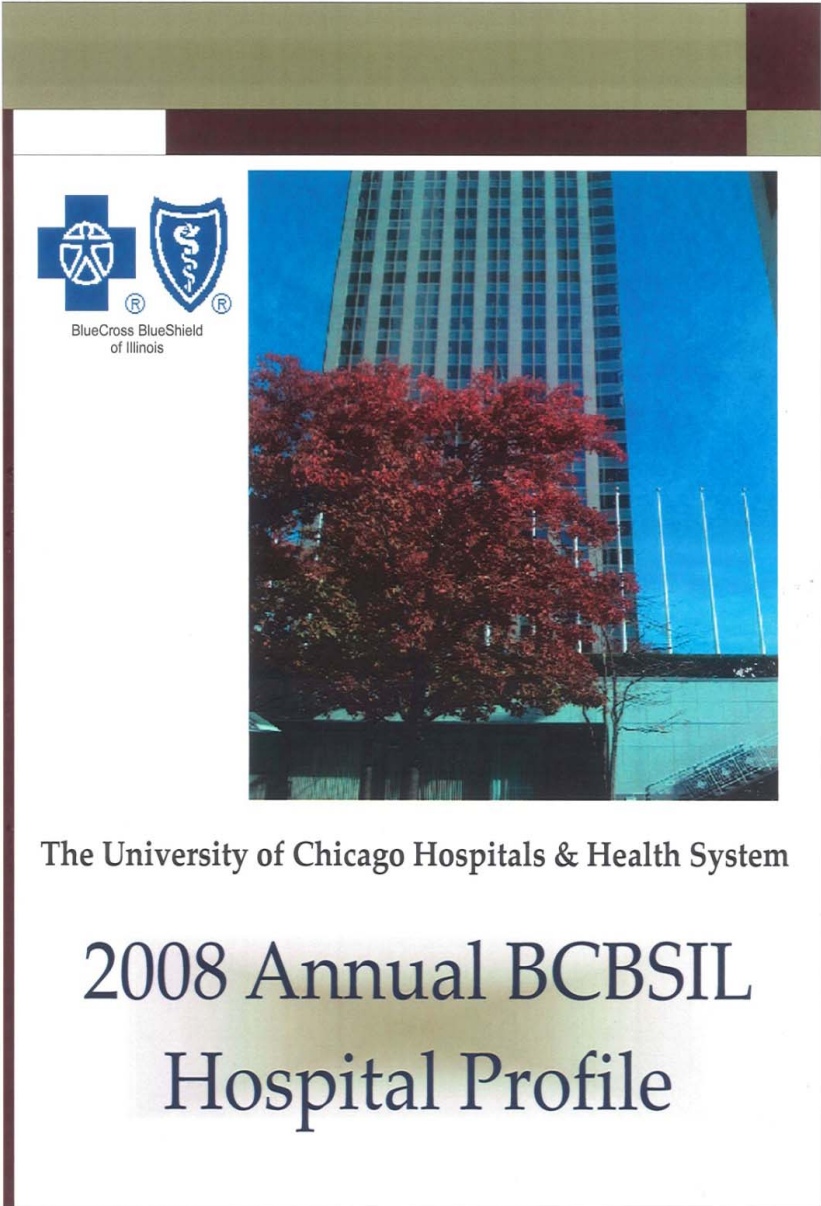


# Major Cost Reduction Opportunity

## CMI-Adjusted Cost/Discharge



# As costs go down, “quality” goes up



**2007** ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

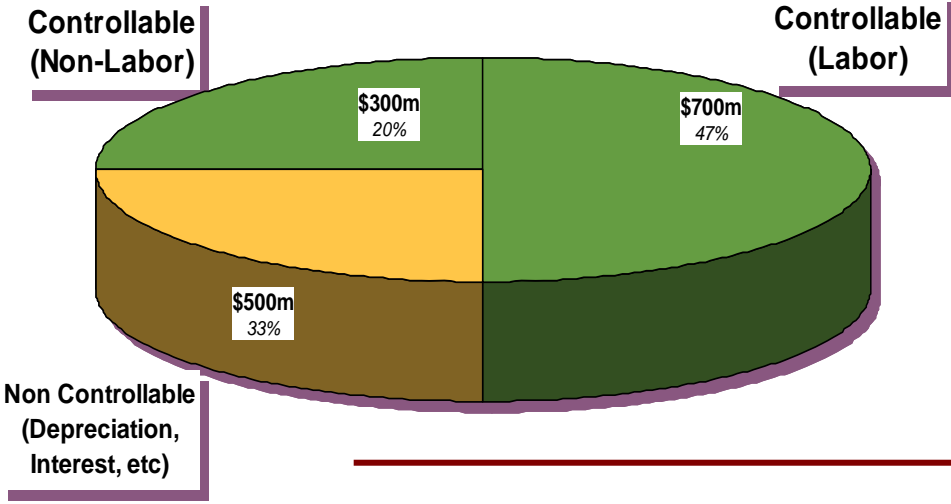
**2008** ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

**2009** ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

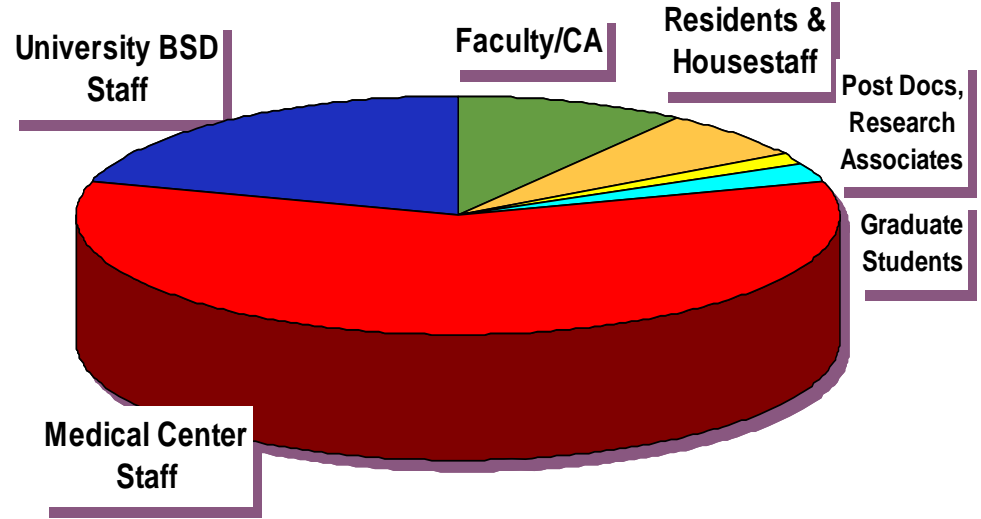
**2010** ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

**(a word about “labor”)**

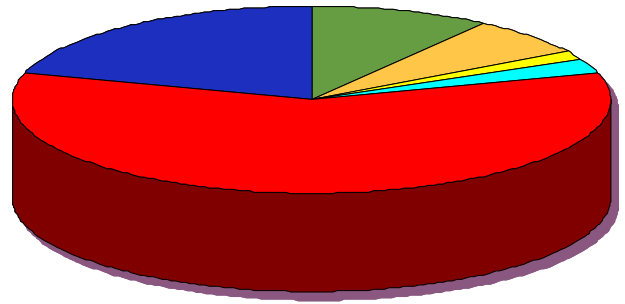
# UofC Rescaling/Reducing the Overall Workforce (10,000 → 9,000)



N = 10,000



N = 9,000



# UofC Staff Layoff Decision-Making Factors

## Non-Union Staff

- ❖ Future value to the Enterprise
- ❖ Ability to absorb expanded accountabilities
- ❖ Skills and abilities applicable to current & future needs
- ❖ Competence and capability
- ❖ Growth potential
- ❖ Previous performance appraisals
- ❖ Years of service

## Unionized Staff

- ❖ Seniority
- ❖ Bumping process
  - By classification
  - within a department/unit
  - and then across departments by seniority
- ❖ **Short version is that “seniority rules”**

# UofC Faculty: Focus on Size, Composition & Deployment

- **Shift to managing and reconfiguring the overall number, currently:**
  - 886 regular faculty; 279 clinical and research associates  
total of **1,165 academic positions**
  - Therefore, a 10% **reduction target would be 116 positions** yielding a new envelop of ~ 1,050:
    - #tbd notified by March, 2009
    - #tbd notified by December, 2009
    - #tbd notified by March, 2010
    - #tbd for 2011
- **Recruitment must fit inside this smaller envelop, taking maximal advantage of**
  - Normal turnover flux of 60 – 70 faculty per year
  - Expiring term appointments over forthcoming year(s)
  - Placement of faculty at FQHCs and other external partners
  - Greater emphasis on multidisciplinary recruiting across the University

# UofC Faculty Reconfiguration: Key Questions for Chairs

---

1. "Where is this faculty member in his or her career development curve?"
2. "Is the faculty member a participant inside a program of distinction?"
3. "Is their research, education, or patient care distinction and productivity a net contributor towards departmental imperatives and enterprise strategy?"
4. "If the faculty member is a high contributor, how am I managing their retention?"
5. "If the faculty member is a low contributor or mismatched to the enterprise strategy, can this faculty member significantly and quickly increase clinical market share or funded research?"
6. "Can this faculty member be more productive or better positioned in an affiliate partner's environment (e.g., FQHC, Community Hosp) or another academic institution?"
7. "How can I minimize the impact on my Department, the Division, the Medical Center and other faculty if this faculty member leaves (by either planned or unplanned attrition) or remains here but loses external sources of funding?"



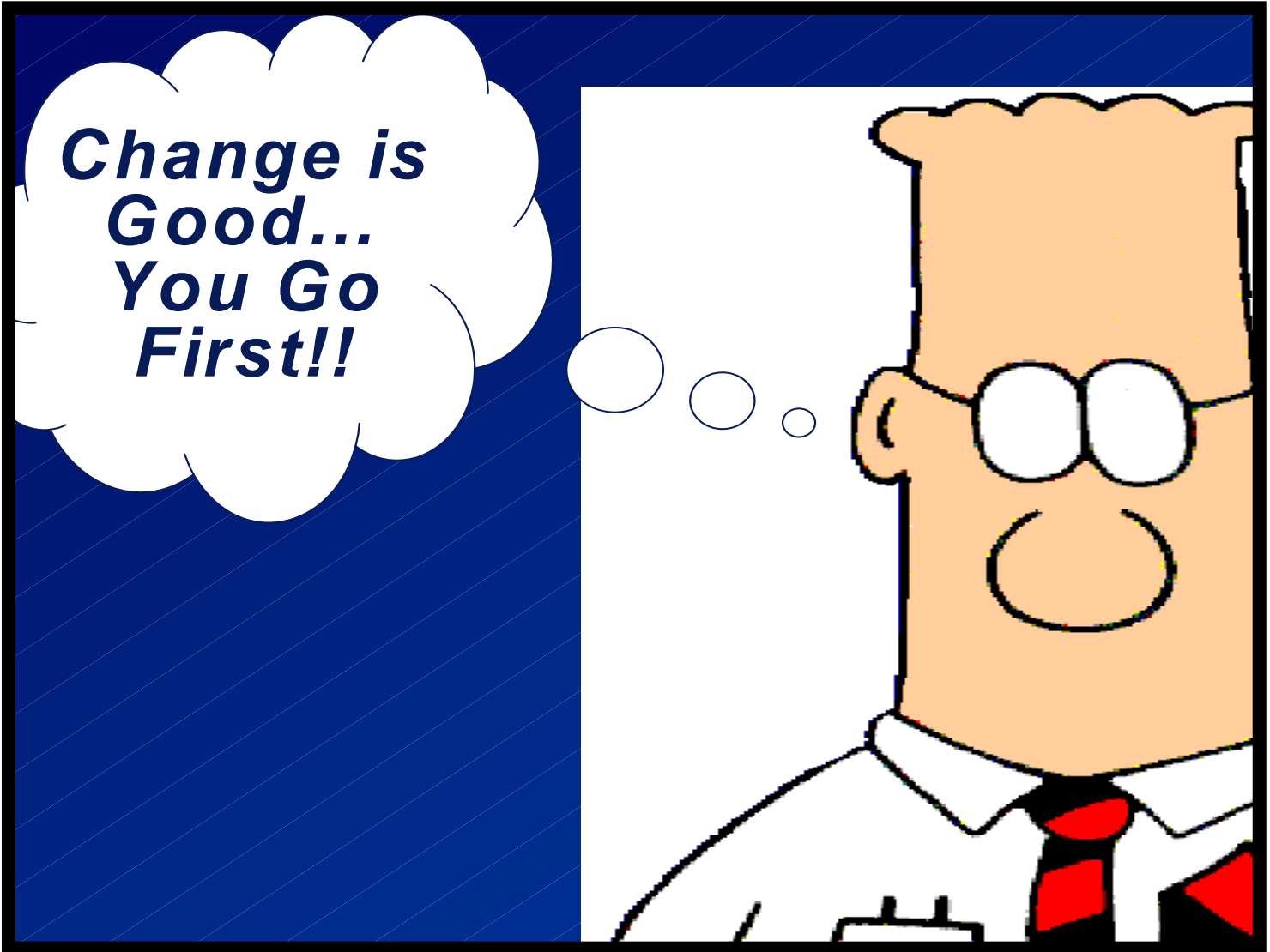
# 5-Step Treatment Plan

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1. Philosophic Musings & Structural Changes
2. Ask and Answer Fundamental Strategic Questions  
(*eg: Should an Academic Medical Center Continue to be “All Things to All People”?*)
3. Bridge Strategy → Finances → Execution
4. Alter the Funds Flow
5. Significantly Reduce the Cost Base by Removing the Waste, Duplication, Inefficiencies, and Variations
6. Generating the Courage to Lead

# Organizational Change, by it's nature, requires someone to lead

## Philosopher Dilbert



Therefore, consider yourself “Neo” and have the courage to lead...

Neo (aka “The One”)

The Oracle

**Oracle:** OK, now I'm supposed to say, "Hmm, that's interesting, but..." then you say...

**Neo:** ...”but what?”

**Oracle:** But... you already know what I'm going to tell you.

**Neo:** I'm not The One.

**Oracle:** Sorry, kid. You got the gift, but it looks like you're waiting for something.

**Neo:** What?

**Oracle:** Your next life, maybe. Who knows? That's the way these things go.

Therefore, consider yourself “Neo” and have the courage to lead...



THOMAS N. MCGAFFEY, PH.D.

# The Courage To Lead

A Practical Way  
To Learn Leadership  
For Everyone

AN ACTION PLAN FROM THE WORLD'S  
FOREMOST EXPERT ON BUSINESS LEADERSHIP

# Leading Change



# John P. Kotter

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# Leading Change



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## EIGHT STEPS TO TRANSFORMING YOUR ORGANIZATION

- 1** Establishing a Sense of Urgency
- Examining market and competitive realities
  - Identifying and discussing crises, potential crises, or major opportunities



- 2** Forming a Powerful Guiding Coalition
- Assembling a group with enough power to lead the change effort
  - Encouraging the group to work together as a team



- 3** Creating a Vision
- Creating a vision to help direct the change effort
  - Developing strategies for achieving that vision



- 4** Communicating the Vision
- Using every vehicle possible to communicate the new vision and strategies
  - Teaching new behaviors by the example of the guiding coalition



- 5** Empowering Others to Act on the Vision
- Getting rid of obstacles to change
  - Changing systems or structures that seriously undermine the vision
  - Encouraging risk taking and nontraditional ideas, activities, and actions



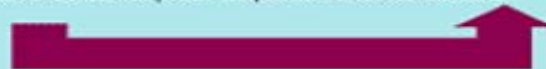
- 6** Planning for and Creating Short-Term Wins
- Planning for visible performance improvements
  - Creating those improvements
  - Recognizing and rewarding employees involved in the improvements



- 7** Consolidating Improvements and Producing Still More Change
- Using increased credibility to change systems, structures, and policies that don't fit the vision
  - Hiring, promoting, and developing employees who can implement the vision
  - Reinvigorating the process with new projects, themes, and change agents



- 8** Institutionalizing New Approaches
- Articulating the connections between the new behaviors and corporate success
  - Developing the means to ensure leadership development and succession



...but it is not without risks and could be dangerous.



# UofC Example: Next iteration of unified governance



\$1.6 Billion



Integrated Patient Care  
Hospital & Prof Service

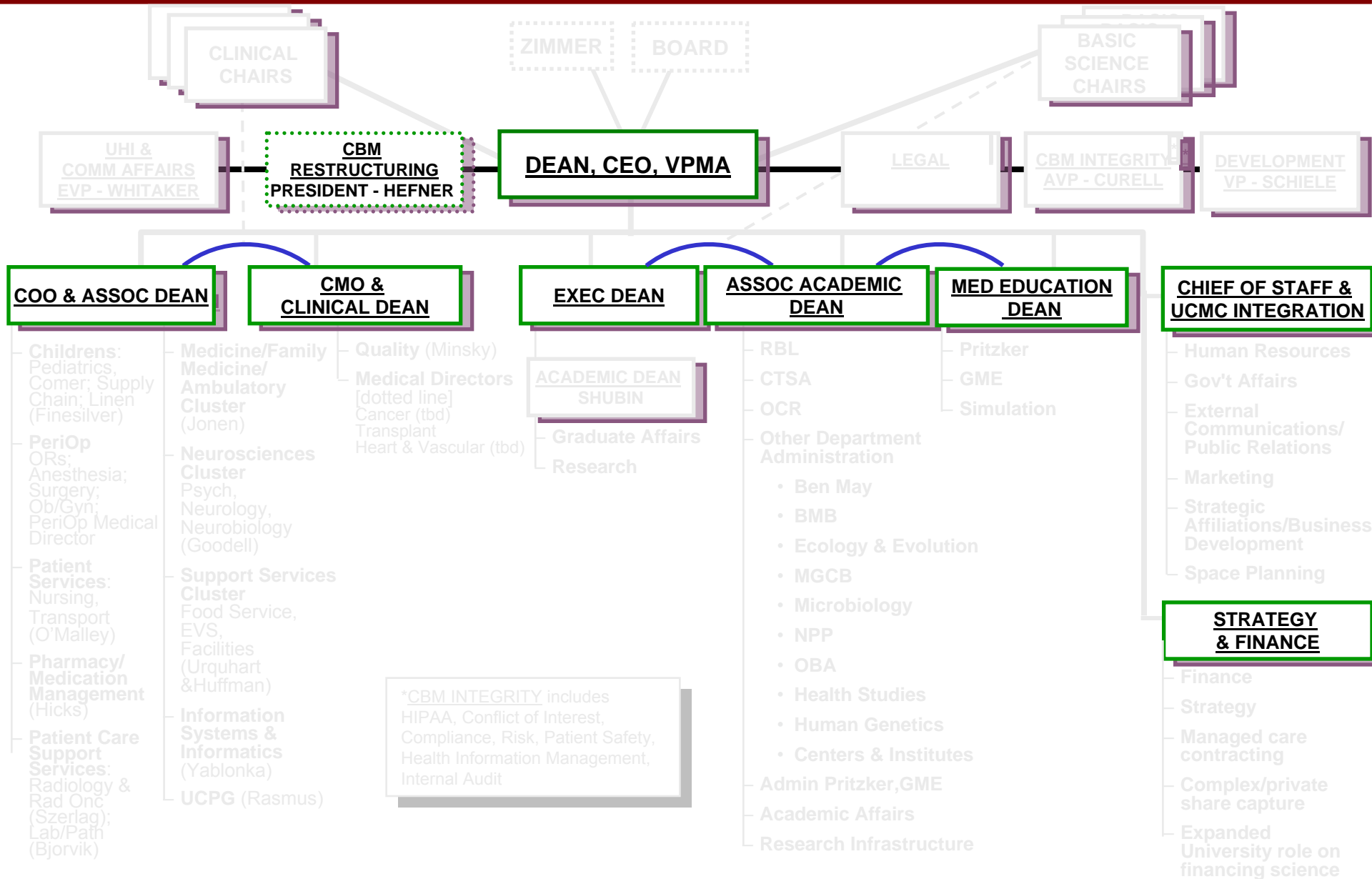
UCMC \$1.2B

Teaching & Research in  
Biology & Medicine

BSD \$400M



# UofC Example: Aligning Structures Our Strategy



And also being mindful of the “Culture Eats Strategy” notion

# Chicago Tribune

## Trouble in the ER

**CRAIN'S**  
CHICAGO BUSINESS.

## U OF C SEEKING CURE FOR SOUTH SIDE POOR

## University of Chicago Medical Center cutting 450 jobs

Dissent halts ER plan at U. of C.

University of Chicago Reconsiders Plan to Redirect ER Patients

## Chicago Hospital Doctors Protest Planned Bed Cuts

University of Chicago ER sends kid mauled by pit bull home

Neighborhood concerns mount after U. of C. unveils plan to redirect some patients

U. of C. emergency room to get more selective

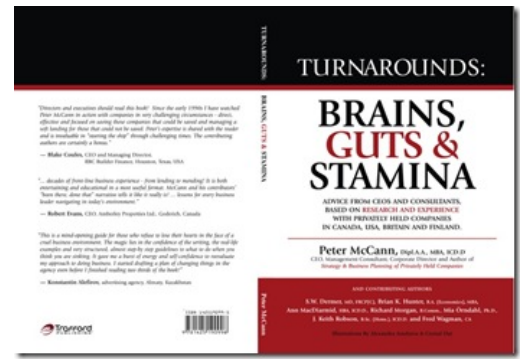
New version of patient triage aims to cope with spiraling costs and long waits for treatment

By Bruce Japsen | Tribune reporter

# Prediction #7: If we do not find the courage to lead, then it will be a "Back to the Future" experience



## Penn Health System: The Hunter Group and the Turnaround Project



**CRAIN'S**  
NEW YORK BUSINESS

Mount Sinai turns to advisors; Hunter Group cuts costs and restructures; Turnaround ace

**CRAIN'S**  
DETROIT BUSINESS

### DMC CUTS 2 EXECs IN TURNAROUND CAMPAIGN

Article from: [Crain's Detroit Business](#)  
Article date: [November 16, 1998](#)



Apr 08, 2003

### Hunter Group offers Rx for fiscal stability

***“Never doubt that a small group of thoughtful, committed people can make a difference.***

***Indeed, it is the only thing that ever has.”***

**— Margaret Mead**

**Questions?**  
**Comments?**  
**Reactions?**