



**Report
to
The LEGISLATIVE FINANCE COMMITTEE**



University of New Mexico
Program Evaluation: State Financing of UNM Health Sciences Center
August 18, 2011

Report #11-08

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August 18, 2011

Mr. Jack L. Fortner, President, UNM Board of Regents
University of New Mexico
MSCO5 3200
1 University of New Mexico
Albuquerque, New Mexico, 87131

Dear President Fortner:

On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit the Program Evaluation of State Financing of UNM Health Sciences Center. The evaluation objectives focused on three objectives: clarify and evaluate the instruction and general funding and other funding sources specific to the UNM Health Center's teaching mission, revisit the 2008 committee evaluation and evaluate the present status of funding and monitoring of research and special projects, and assess the state's role in financing the UNM Health System.

The report will be presented to the committee on August 18, 2011. We very much appreciate the cooperation and assistance we received from you and your staff.

An exit interview was held on August 5, 2011, with UNM and the Higher Education Department to discuss the contents of the report. The Committee would like a plan addressing the recommendations within 30 days from the date of the hearing.

I believe that this report addresses issues the committee asked us to review and hope the University of New Mexico will benefit from our efforts. Thank you for your cooperation and assistance.

Sincerely,

A handwritten signature in blue ink that reads "David Abbey".

David Abbey, Director

Cc: Senator John Arthur Smith, Chairman, LFC
Representative Luciano "Lucky" Varela, Vice-Chairman, LFC
Dr. Jose Garcia, Secretary, Higher Education Department

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The HSC and educational component fund balances at the end of FY10 totaled \$54.8 million.

Multiple funding sources make it difficult to calculate educational costs. Faculty self reports of teaching time, inhibiting objective determination of educational costs, further complicates the process.

**UNM HSC I&G
General Fund
Appropriations
(in millions)**

FY08	\$84.6
FY09	\$93.1
FY10	\$97.8
FY11	\$93.7

Source: GAA

The University of New Mexico (UNM) Health Sciences Center (HSC), with a \$1.1 billion dollar budget, plays a critical role in the delivery of healthcare services, training of health professionals, and contributions to New Mexico’s economy. HSC generate over \$782 million in out-of-state revenues, supporting \$347 million in salaries for 7,592 FTEs in the community and at HSC per UNM Bureau of Business and Economic Research, 2010.

In FY10, the HSC relied on the state to provide \$99.1 million in state general fund appropriations. This investment obligates the state to ensure HSC’s education and service missions meet state needs. The objectives of this evaluation included an assessment of the education and clinical components of HSC, and the cost and outcomes of selected HSC programs.

Although financially healthy, HSC’s future may be changed by new federal and state legislation and regulations and the budget constraints of state government.

New Mexico is dependent upon HSC to provide medical practitioners, nurses, pharmacists, and other health professionals for the state’s workforce and to administer special projects funded by state appropriations. Clear, objective data identifying program and individual student costs is not available. Without this, lawmakers cannot make informed decisions regarding funding.

The ability to generate the information, internal to HSC, is hampered by the complexity of the multiple funding sources and, externally by deficiencies in Higher Education Department’s (HED) monitoring and reporting system.

More than the educational components, the service providers within HSC will face changes brought about by federal healthcare reform, which could well have a trickledown effect in state government and the commercial insurance arena.

KEY FINDINGS

Better accountability is necessary to ensure investments in educating health professionals help meet state needs.

In FY10, the HSC spent nearly \$94 million to educate 1,646 health professional students. For the same year, state instruction and general (I&G) appropriations to HSC were \$97.8 million.

Instruction at HSC is separated into two segments for funding purposes: *medical education* (leading to medical doctors), which is funded outside the formula with state appropriations made directly to HSC, and *regular academic education* (e.g. (physical therapy, pharmacy and nursing), which is funded through the formula. These funds accrue through UNM main campus appropriations and are transferred by main campus to HSC. UNM does not have a policy directing transfer of formula-funded program I&G, tuition, and fees, from main campus to the UNM HSC.

HSC funding also includes state appropriations for Research and Public Service Projects (RPSP). In the past two years, HSC was given latitude by the Legislature to move RPSP from line item funding into the I&G category, thus masking individually funded projects.

Although from FY08 to FY10 increases occurred in I&G support for all UNM HSC students, changes in workload as measured by student enrollment or credit hours have been minimal. This trend exists over a longer time period as well. From FY03 to FY11, shows UNM main campus funding increased by 15 percent, while UNM HSC funding increased by 35 percent. From FY08 through FY10, total HSC enrollment increased by 29 students or two percent. During the same time period, UNM main campus experienced an increase of 2,908 students or 11 percent. For the same three years, main campus I&G funding increased by five percent and HSC I&G funding increased by 11 percent.

Adjustments to UNM School of Medicine (SOM) funding for medical student training are not formula based, similar to other medical colleges, limiting legislative ability to recommend changes based upon workload and cost. Incremental changes are made to the base budget honoring institutional requests and in consideration of available funding, without links to enrollment or performance outcomes. This process can cause revenue to drive institutional priorities while real costs remain unknown; cross subsidization becomes the operational strategy.

HSC does not have a methodology for determining the cost to educate a SOM student. Based upon LFC analysis, the FY10 estimated I&G funding per SOM student is \$127 thousand, comparable to Florida's estimate of \$115 thousand per student. Without knowing the program or cost per student adequacy of funding cannot be evaluated.

UNM HSC has not done an in-depth analysis to ensure spending is in line with their goals and ascertain state financing needs of the SOM educational component. In FY10, UNM Hospital and UNM

UNM School of Medicine

	FY08	FY09	FY10
Enrollment	303	317	334
Student Credit Hours	5,440	5,819	6,462
Instruction Allocation	(in millions)		
	\$32.3	\$34.3	\$33.9

Source: Official Enrollment Report Fall 2010 and HSC Report of Actuals

HED will be proposing changes to New Mexico's funding formula, but is not including the SOM in the proposal.

**UNM-HSC SOM Peers
State Support per
Student**
(in thousands)

SOM	Total per Student
UNM	\$87.9
UC Davis	\$317.2
U of Washington	\$117.5
U of Utah	\$79.6
U of Arkansas	\$96.7
U of Virginia Commonwealth	\$78.9

Source: AMA LCME

Currently, there are 142 students in the BA/MD program, with a student retention rate of 84 percent.

The Statewide Nursing Education Plan ranked New Mexico 49th in the number of registered nurses per 100,000 people.

Medical Group supported faculty salaries and other purposes in the amount of \$130 million. Other state contracts, such as those through the Behavioral Health Services Division of the Human Services Department, provide faculty salary support as well. Nationally, patient care revenues, generated by medical school faculty, have historically provided major financial support to medical education programs.

Based upon HSC's comparison with other medical schools, nearly all of the 711 SOM faculty salaries fall below Association of American Medical Schools benchmarks. Comparing all percentiles, only the UNM SOM Department of Surgery met the standard in the 25th percentile.

UNM SOM total revenue per student exceeds only one peer institution. However, the revenue support from the state ranks equal to or greater than peer institutions identified by SOM. Tuition and fees at UNM SOM are 65 percent below the peer average.

Forty percent of all physicians licensed in New Mexico trained at UNM. UNM's location data for FY09 shows 857 out of 1,769, or 48 percent, of UNM trained MDs are practicing in primary care specialties. However, reviewing a five-year period shows the greater percentage of UNM trained MDs are staying in the central, most populated region (Bernalillo County). Twenty-three percent of UNM SOM graduates are practicing in New Mexico in selected specialties that include anesthesiology, general surgery, emergency medicine and psychiatry.

The return on investments in the Combined BA/MD Degree program will not be fully realized for several years. The program is a long-term investment in individual student's medical education. Most of the students in the first enrollment group will finish medical school in 2014.

The state has provided \$15.7 million in funding for the BA/MD program from FY06 through FY11. In FY10, HSC reported instruction and general costs of \$2.4 million. In the same year, there were 15 medical departments in the School of Medicine with instructional spending less than that of the BA/MD program. The BA/MD program is not unique to UNM SOM. According to the Association of American Medical Colleges, over 30 schools offer combined medical degree programs.

Since FY08, investments in nurse education have increased but enrollment and degree production has decreased. State support for nursing programs at public, post-secondary institutions is currently

According to the New Mexico Center for Nursing Excellence New Mexico will need approximately 5,000 additional registered nurses over the 2008 workforce by 2020.

“Reoccurring expectations for graduates with non-reoccurring funding.” HSC Finance from LFC interview on nursing program.

From 2008 LFC RPSP Evaluation: “RPSP funding produces fragmented rather than integrated strategies in providing exceptional health care.”

provided in several forms: 1) formula funding as instruction and general funding for each campus; 2) line-item expansion amounts and other general fund appropriations; 3) lump sum funding to the HED, which is competitively awarded; and 4) student financial aid funding.

Resources allocated to the College of Nursing (CON) to direct nurse instruction have increased from \$2.9 million in FY08 to over \$4 million in FY11. During the past four years, CON has received \$8.2 million in additional funding through the nurse expansion program, program development enhancement fund, and supplemental nursing compensation.

Despite increased funding commitments, nursing fall enrollment has decreased by more than 21 percent; student credit hour enrollment is down 14 percent, and degree production has declined 10 percent.

Comprehensive reporting and HED oversight would help improve funding decisions and accountability for results at UNM HSC. The Legislature has granted HSC flexibility by moving some RPSP funding into the base I&G appropriation, including some projects with statewide impact that will require a different approach to monitoring finances and outcomes. HSC has decreased the number of separately funded RPSP appropriations from 40 in FY08, to 17 in FY12.

Of the 22 RPSPs rolled into the I&G appropriation since FY08, six appear to have statewide service implications with funding totaling \$3.1 million. These programs include, the EMS Academy, Locum Tenens, Telemedicine, Area Health Education Center (AHEC), Rural Physician Residencies and Cooperative Pharmacy. Separate state reporting of financial and performance results will no longer be required for these programs.

Some HSC projects clearly serve a statewide purpose and require a different level of oversight than RPSPs that are intended to be temporary. For example, the Office of the Medical Investigator (OMI) and the New Mexico Poison and Drug Information Center both perform public service functions either required by statute or that meet a statewide need. The LFC budget recommendations during recent financial constraints prioritized RPSP that have a statewide role. For FY12, the LFC recommended a flat appropriation amount for OMI and a five percent reduction for the Poison and Drug Information Center despite the need for considerable reductions in appropriations from the general fund.

According to OMI, about 86 percent of its work is required by statute, which states OMI will investigate all reportable deaths, to include the

Applying outcomes of studies completed in New Jersey and Utah, it is possible over \$26.1 million in inpatient admission costs to New Mexico hospitals was prevented by the New Mexico Poison and Drug Information Center.

The Legislature funded two HED audit positions. One position remained vacant and was eliminated in FY10 and the other was not deployed for the legislature's intended purpose.

UH provided a \$12 million intergovernmental transfer to HSD in FY11 to assist in SCI funding.

Uncompensated care is the combination of charity and uninsured care at cost.

University Hospital's FY10 fund balance was \$118 million.

determination of cause of death. OMI projects the FY12 workload to include 2,000 autopsies and over 5,000 field investigations.

The Poison and Drug Information Center has experienced a 13 percent decline in appropriations from the general fund between FY09 and FY12, decreasing from \$1.48 million to \$1.29 million. Tobacco Settlement Fund appropriation reductions occurred during the same time period, decreasing from \$519 thousand to \$335 thousand. Given benefits from avoided inpatient hospital costs due to poisonings, other alternative financing models should be explored.

HED continues to struggle to perform adequate oversight of RPSP. HED collects performance reports, but does not appear to perform any analysis or monitoring. Administrative rule (5.3.5.12, NMAC), requires periodic review of RPSP to determine ongoing need and effectiveness of the project. However, HED has not performed and reported on reviews of RPSP since the LFC report in 2008.

Reporting does not provide comprehensive financial information that makes determining the state role in financing key HSC functions more difficult. Adjunct services, which may or may not be an RPSP, generate revenues, which may not appear in the financial reporting to HED. As an example, in FY10, the Cancer Center budgeted revenues were \$109 million, including \$2.8 million in RPSP funding. Total budgeted revenues were not apparent in reports to HED.

The State of New Mexico steers funding to UNM Hospitals. University Hospital (UH) has considerable reliance on federal, state, and local government funding. From FY08 to FY10, the New Mexico Medicaid program reimbursed UH over \$630 million, including \$107 million from the State Coverage Insurance Program.

In FY10, UH received over \$98 million in supplemental payments from federal and state funding sources from disproportionate share, upper payment and graduate medical education funding, and another \$110 million in other state and local funds. Out of county indigent funds, totaling \$1.16 million is included in other state funds. University Hospital financial statements identified \$21 million in out-of-county resident uncompensated care for the same time period.

Although UH has fared well financially, reimbursement and structural changes in the healthcare arena will create financial challenges that require close monitoring. The federal Patient Care and Affordability Act (PPCA) has passed, but regulations implementing the Act are not yet in place. Without known regulations, it is difficult to gauge, in a more detailed way, the impact

UH projects \$20 million annual loss with changes in state Medicaid reimbursement regulations.

Numerous studies have found that “higher bed supply is associated with more hospital use for conditions where outpatient care is a viable alternative” and thus increase total healthcare costs, according to Dartmouth Atlas. Further, higher spending in regions is closely associated with supply capacity.

of planned changes on UH. To curb the rising costs in New Mexico the Medicaid program has instituted changes which impact UH finances.

With the role state and local governments play in the financing of UH, it is in the best interest of the hospital to share financial and quality data in a public way that is transparent, easily understood, and accessible.

Construction of the Sandoval Regional Medical Center (SRMC) requires close monitoring to ensure it does not threaten the finances of the UNM Health System. Both Presbyterian Healthcare Services (PHS) and University of New Mexico (UNM) have entered into contracts to provide hospital services to Sandoval County. The PHS facility is scheduled for completion this year, with the UNM facility, Sandoval Regional Medical Center (SRMC), expected to open in June 2012.

Although Moody’s Investor Services ranks UNM favorably, the group does offer caution regarding the new hospital. The report states, “Given the cost of the project, and independence on future population growth to be successful, we believe there is considerable operating risk in the short-term.” UNM HSC does project financial losses in at least the first two years of operation.

Sandoval County will now have two hospitals; the impact of the increase in capacity on healthcare costs and quality is unknown. These projects will increase the supply of hospital beds in the Albuquerque-metro region.

HSC is an important asset to the state, but better accountability is needed to help ensure statewide needs are being met.

KEY RECOMMENDATIONS

The Legislature should routinely receive reports to monitor the progress of costly programs to ensure value to the state: BA/MD, Nurse Expansion, and Cooperative Pharmacy.

UNM should develop and implement policies governing the transfer of the instruction and general funds between HSC and main campus and share audit results on transfer funding with LFC.

UNM HSC should:

- Work with HED and LFC to develop metrics to inform and justify budget changes.
- Ensure RPSP performance reports include most current performance and financial data.
- Develop an integrated financial reporting format to inform HED and the Legislature of all revenues and expenses including adjunct services.
- As part of budget discussions with LFC analysts, the HSC, Poison and Drug Information Center and OMI should work towards a recommended plan to deal with funding issues and concerns, including OMI's negative fund balance.
- Develop methodologies for calculating educational cost per medical student and report in the General Appropriation Act (GAA) performance measures.
- Develop CON GAA performance measures specifying annual bachelor degree enrollment and degrees awarded and the number of graduates practicing in New Mexico, bi-annually.

HED should:

- Develop a method for reporting, specific to the UNM Health Sciences Center, to capture detail revenues by source, delineate expenditures, and identify state resource expenditures for each medical education student.
- Implement audits of RPSP and report results to LFC. Also, consider improvements to reporting and implement an analysis process to ensure statutory mandates are satisfied.

HSC governing boards should continue close monitoring of the UNM Health System financial status to ensure changes in operations are true to the institutional mission, will foster positive growth, and are in sync with other successful medical centers.

UNM Health System should:

- Share strategic plans for mitigation of the impact of changes in health care financing with the LFC.
- Improve public accessibility of UH financial and quality data.

BACKGROUND INFORMATION

Established in 1994, the UNM Health Sciences Center (HSC) is a distinct component of the University of New Mexico. The HSC's mission is dedicated to education, research, patient care and community outreach. Fulfilling this mission has created the largest academic health complex in New Mexico. The primary components of the HSC are School of Medicine (SOM), College of Nursing (CON), College of Pharmacy (COP), Health Sciences Library and Informatics Center, UNM Medical Group (UNMMG), UNM Health System (all clinical entities), and soon to include the Sandoval County Regional Medical Center (SRMC) in Rio Rancho, currently under construction.

Fast Facts.

- Employment – In FY11, HSC employed over 8,600 full-time equivalent positions, including 930 faculty.
- Education – Over 1,600 students were enrolled across HSC departments in fall 2010, including 334 medical students. Although classified as employees, there are 549 resident physicians who do not appear in student enrollment.
- Locations – HSC is engaged in over 500 separate clinical, educational and research activities across 155 communities in New Mexico.
- Funding – In FY10, HSC generated over \$1.1 billion in revenues across its education, research, patient care and community outreach functions.

History of Major Events.

1936	Indian Health Services Hospital opened in Albuquerque.
1937	Carrie Tingley Hospital opened in Hot Springs, New Mexico.
1945	College of Pharmacy (COP) established.
1954	Bernalillo County Indian Hospital (BCIH) opened.
1955	College of Nursing established; School of Medicine (SOM) graduates its first class of resident medical doctors (MDs).
1966	SOM becomes a four-year physician program.
1968	BCIH renamed Bernalillo County Medical Center (BCMC); SOM graduates first class
1975	Cancer Research and Treatment Center opens.
1977	New Mexico Poison Control and Information Center became part of COP.
1978	Children's Psychiatric Hospital opened.
1981	Carrie Tingley Hospital moved to Albuquerque.
1985	Cary Tingley Hospital moves to University Blvd.
1994	Health Sciences Center created.
1998	Cancer Research Facility opened.
2007	Barbara and Bill Richardson Pavilion opened; the Pavilion includes the first 24-hour pediatric emergency room.
2007	Domenici Center for Health Sciences Education opens to its first classes.
2010	New Cancer Center opens. UNM Regents approve new HSC governing structure.

Organization.

On December 14, 2010, the Regents of the University of New Mexico approved a policy eliminating the Executive Vice President for HSC position and designating a chancellor position to provide leadership with administrative responsibility for all activities, operations and programs of the HSC. Although not established by this policy, there are other executive or administrative positions within the HSC management hierarchy. Eight vice presidents, three associate vice presidents, and deans for COP and CON report to the chancellor. The chancellor also serves as dean of the School of Medicine, with 18 chairpersons of the medical academic departments as direct reports.

A new HSC Board of Directors will oversee the clinical, operational, financial, research and educational affairs of the HSC and UNM Health System. The new policy directs all clinical components of HSC to be identified as the UNM Health System. The policy allows maximum oversight of HSC by this Board. The existing University Hospital (UH) Board of Trustees will have oversight responsibility for non-research, non-educational programs operations of UH. See **Appendix A**.

According to the HSC, “The principle of the reorganization addresses the need for vertical integration, creating unified elements versus many independent operations. The organization is built to not stifle creativity and innovations, but create links to increase effectiveness, promote benefit from economies of scale, and focus on common strategic objectives.”

Administrative Departments and Organizations

- UNM HSC administrative departments include: Office of the Chancellor, Budget Office, Community Affairs, Compliance Office, Office of Diversity, Financial Services, Communications and Marketing, Public Affairs, and legal counsel.
- The UNM Medical Group is a non-profit organization, whose sole members are the UNM Board of Regents, but which organizationally reports to the Dean of the School of Medicine. It functions as a business enterprise for the SOM faculty focusing on business development and organizational improvement. In its role, it serves as the billing agent for the practice plan and is administratively responsible for seven specialty clinics. UNMMG administers the locum tenens and specialty practice extension services, providing relief time away from the medical practice.

Academic Units

- The College of Nursing (CON) offers baccalaureate through doctoral degrees in nursing. The upper degree programs prepare students for careers in advance nursing practice, nursing education, and nursing administration. Nursing faculty are involved in a broad spectrum of research activities.
- The College of Pharmacy (COP) in addition to the doctorate in pharmacy degree offers graduate degrees in four concentration areas: toxicology, radio pharmacy, pharmacoeconomics, pharmaceutical policy and outcomes. Faculty members are involved in research. The college is administratively responsible for the New Mexico Poison and Drug Information Center.
- The School of Medicine (SOM) in addition to medical student basic training, offers 18 resident physician training programs and 30 fellowship programs. Other health professional training programs are housed within the SOM.

UNM SOM Degree Programs

Associate Degree	Radiography
Baccalaureate Degree	Dental Hygiene Emergency Medical Services Medical Laboratory Sciences Radiologic Sciences
Masters Degree	Biomedical Sciences Clinical Laboratory Sciences Dental Hygiene Occupational Therapy Physician Assistant Public Health
Doctoral Degree	Biomedical Sciences Medicine Physical Therapy

Source: UNM SOM Website

In FY10, total enrollment for all UNM HSC academic units for FY10 was 1,646 students.

UNM HSC Student Enrollment FY10

School of Medicine	849
College of Nursing	433
College of Pharmacy	364
Total	1,646

Source: UNM Official Enrollment Fall 2010

Of the 549 resident positions, 343 are funded by University Hospital. In addition, in FY10 there were 766 students trained in the Emergency Medical Services (EMS) certification programs.

- The HSC Library and Informatics Center serves as the resource learning center for all of the health professional training programs at UNM HSC.

Clinical Units

- UNM Hospitals are the primary teaching sites for the UNM Health Sciences training programs. UH has the only Level I trauma center, children's hospital, and burn unit in the state. The UH campus includes the Carrie Tingley Hospital, the Children's Psychiatric Center, and the University Psychiatric Center for adults. Total bed capacity for all hospitals is 629. Capacity can be limited by which type of bed is available (intensive and general care, pediatric and adult) or availability of staff.

Actual University Hospitals Occupancy Percent as of 7/21/2011

University Hospital	85%
Children's Psychiatric Center	60%
University Psychiatric Center	96%

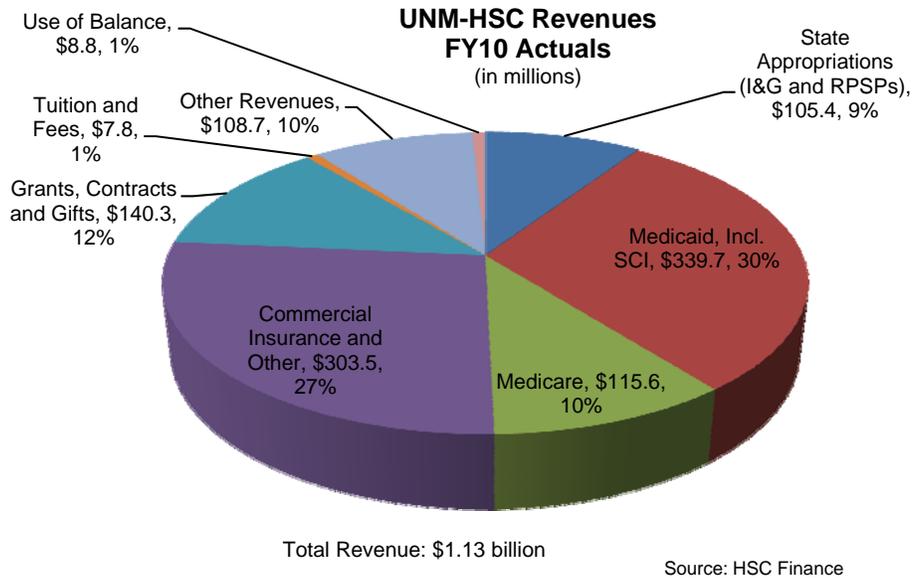
Source: UH Finance

- UNM Cancer Center provides outpatient cancer treatment services to over 10,000 patients each year. It is the only National Cancer Institute-designated cancer center in the state, an advantage when applying for federal research grants. The medical team includes 85 board-certified physicians and 120 researchers. The center provides offsite services in four other New Mexico communities.

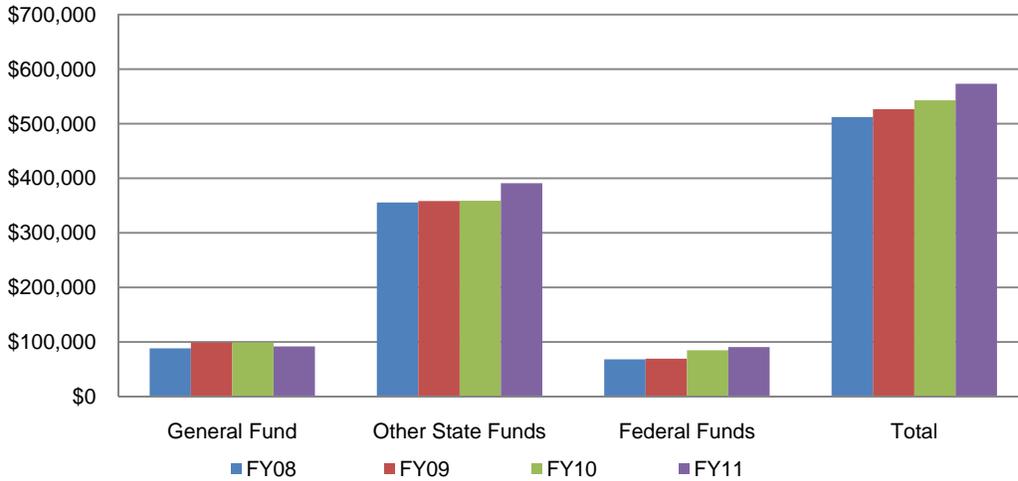
Funding.

For FY10, HSC budgeted \$1.13 billion in revenues. The HSC receives funding from multiple sources, with the greatest percentages coming from patient service revenues, contracts and grants and state appropriations. Support for the educational mission is allocated through the Higher Education Department (HED) Instruction and General (I&G) funding formula, line item state appropriations, tuitions, and fees. Support for the UNM School of Medicine training of medical students is through I&G *non-formula funding*, which is similar to most medical schools in the country.

Revenues



Summary of HSC Appropriations



Source: GAA

Budgeted Expenditures

UNM HSC Budgeted Expenditures FY10

College of Nursing	\$9,457,912
College of Pharmacy	\$16,953,651
School of Medicine	\$394,895,218
Special Health Programs	\$16,213,863
Cancer Center	\$17,5752,428
Office of Medical Investigator	\$5,905,145
UNM Hospital	\$547,040,914
Carrie Tingley Hospital	\$15,398,479
Children's Psychiatric Center	\$16,927,900
UNM Psychiatric Center	\$26,124,268
Physical Plant Operation and Maintenance	\$8,8471,400
Administration & Logistical	\$11,697,916
Health Sciences Library	\$6,700,192
Research, Public Service and Other	\$11,208,756
Total	\$1,104,568,042

Source: HSC 2009-2010 Databook

EVALUATION INFORMATION

Program Evaluation Objectives.

- Clarify and evaluate the Instruction and General funding formula and other funding sources specific to the teaching mission for HSC.
- Assess the role of the State of New Mexico's role in financing UNM Health system.
- Identify selected HSC programs receiving state funding and assess the program value to the state.

Program Evaluation Activities.

- Conducted structured interviews with HSC and HED staff;
- Interviewed LFC analyst for HED and Human Services/Medicaid, Medicaid and HED personnel and the Liaison Committee of Association of American Colleges;
- Reviewed LFC file documents, applicable state and federal laws and regulations, Medicaid reports, UNM HSC and UH financial, enrollment, utilization, and performance and quality data, and UNM HSC reporting documents to HED;
- Reviewed available financial, workload, performance and quality data from other peer institutions;
- Conducted interviews with;
- Reviewed relevant contracts, MOUs, intra-facility agreements.
- Conducted web searches of other states for comparison of higher educational policies and practices relating to health professional training.

Evaluation Authority. The Committee has authority under Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political sub-divisions, the effect of laws on the proper functioning of these governing units, and the policies and costs of government. Pursuant to its statutory authority, the Committee may conduct performance reviews and inquiries into specific transactions affecting the operating policies and costs of governmental units and their compliance with state law.

Evaluation Team.

Charles Sallee, Deputy Director for Program Evaluation
Pamela Galbraith, Lead Evaluator
Brenda Fresquez, Program Evaluator

Exit Conference. The contents of this report were discussed with UNM Health Sciences Center and Higher Education Department staff on August 5, 2011.

Report Distribution. This report is intended for the information of the Office of the Governor, the University of New Mexico, the Higher Education Department, the Department of Finance and Administration, the Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of the report which is a matter of public record.



Charles Sallee
Deputy Director for Program Evaluation

FINDINGS AND RECOMMENDATIONS

BETTER ACCOUNTABILITY IS NECESSARY TO ENSURE INVESTMENTS IN EDUCATING HEALTH PROFESSIONALS HELP MEET STATE NEEDS.

Health Sciences Center

In FY10, the University of New Mexico Health Sciences Center (HSC) spent nearly \$94 million to educate 1,646 health professional students. HSC expenses include teaching, mentoring, books and materials, classrooms, laboratories, housing, food, and indirect cost of the UNM.

**Table 1. HSC I&G Expenditures
FY10**

Expenditures	Unrestricted
Instruction	\$61,090,715
Academic Support	\$10,407,830
Student Services	\$4,543,885
Institutional Support	\$10,156,629
Operation and Maintenance of Plant	\$7,687,784
Total	\$93,886,843

Source: HSC Report of Actuals

HSC state appropriations for instruction and general funding for FY08 to FY11 are shown below.

**Table 2. Summary of General Appropriations Act
UNM Health Sciences Center
Instruction and General Funding
(in thousands)**

Fiscal Year	General Fund	Other State Funds	Federal Funds	Total
FY08	\$55,087.8	\$28,041.1	\$1,450.0	\$84,578.9
FY09	\$61,721.2	\$29,780.1	\$1,601.1	\$93,102.4
FY10	\$61,398.9	\$34,247.0	\$2,185.0	\$97,830.9
FY11	\$59,959.6	\$32,481.0	\$1,229.0	\$93,669.6

Source: GAA

The Higher Education Department (HED) makes recommendations for funding higher institutions in New Mexico. Based upon those requests and available dollars the Legislature appropriates general fund dollars to the institutions. Instruction and general (I&G) budget categories include:

- Instruction (educational departments, faculty, support staff, supplies);
- Academic Support (library, deans' offices, faculty senate, labs);
- Student Services (admissions, registrar, financial aid, advising);
- Institutional Support (administration, business office, human resources); and
- Operation and Maintenance of Plant (buildings, grounds, utilities).

Instruction at HSC is separated into two segments for funding purposes: *medical education* (leading to medical doctors), which is funded outside the formula with state appropriations made directly to HSC, and *regular academic education* (e.g. (physical therapy, pharmacy and nursing), which is funded through the formula. These funds accrue through UNM main campus appropriations and are transferred by main campus to HSC.

HSC funding also includes state appropriations for Research and Public Service Projects (RPSP). In the past two years, HSC was given latitude by the Legislature to move RPSP from line item funding into the I&G category, thus masking individual funded projects. Including RPSP in the I&G category also makes it more difficult to determine per student cost in medical education.

Although from FY08 to FY10 increases occurred in I&G support for all UNM HSC students, changes in workload as measured by student enrollment or credit hours have been minimal.

**Table 3. UNM Health Sciences Center
Summary of Enrollment**

	FY08	FY09	FY10
School of Medicine	303	317	334
College of Nursing	551	474	433
College of Pharmacy	368	356	364
Other Health Professions	395	489	515
Total	1,617	1,636	1,646

Source: UNM Official Enrollment Report Fall 2010

**Table 4. UNM Health Sciences Center
Summary of School Credit Hours**

	FY08	FY09	FY10
School of Medicine	5,440	5,819	6,462
College of Nursing	5,843	5,313	5,001
College of Pharmacy	5,839	6,046	6,188
Other Health Professions	6,607	7,721	8,349
Total	23,729	24,899	26,000

Source: UNM Official Enrollment Report Fall 2010

The table below compares UNM main campus compares enrollment to HSC enrollment.

**Table 5. Enrollment Comparison
Main Campus vs. HSC**

	FY08	FY09	FY10
Total	25,820	27,304	28,757
less HSC	1,617	1,636	1,646
Total Main	24,203	25,668	27,111
Main % Change		6.1%	5.6%
HSC % Change		1.2%	0.6%

Source: UNM Official Enrollment Report Fall 2010

Table 6. Main Campus and HSC I&G Funding Changes
(in millions)

Fiscal Year	Main		HSC	
2003	\$143,115.5		\$43,069.3	
2004	\$146,058.0	2.1%	\$42,874.5	-0.45%
2005	\$149,041.0	2.0%	\$44,242.5	3.2%
2006	\$157,088.9	5.4%	\$45,612.5	3.1%
2007	\$160,123.0	1.9%	\$47,435.9	4.0%
2008	\$177,371.0	10.8%	\$55,087.8	16.1%
2009	\$189,060.0	6.6%	\$61,721.2	12.0%
2010	\$185,952.7	-1.7%	\$61,398.9	-0.5%
2011	\$175,497.7	-5.6%	\$59,959.6	-2.3%
2012	\$164,428.9	-6.3%	\$58,252.7	-2.8%
10 Year Change		15%		35%

Source: General Appropriations Act

From FY08 to FY10, main campus enrollment increased 12 percent, and I&G funding increased by 5 percent. During the same period HSC enrollment growth was 2 percent, with I&G funding increasing by 11 percent.

UNM does not have a policy directing transfer of formula-funded program I&G, tuition, and fees, from main campus to the UNM HSC. While state appropriations related to medical education are made directly to the HSC, appropriations for formula-funded health professional training programs are made to UNM main campus. Without a known process, the evaluation team could not determine the accuracy of the transfer amounts. UNM Internal Audit Department was to perform an audit to determine appropriate transfer fund process and policies prior to the completion of this evaluation but the information is not yet available.

Once a transfer occurs, UNM main campus does not manage or monitor the internal UNM HSC distribution of funds. Per UNM, the difference in the business model and reliance on clinical service revenues requires the expertise of UNM HSC financial personnel. Tuition is collected and distributed to programs by the UNM main campus bursar's office, including tuition differentials instituted by UNM HSC programs, without a policy or clear transfer guidelines. HSC programs with tuition differentials include the College of Nursing and College of Pharmacy. In addition, the physician assistant program has a curriculum fee.

In FY10, UNM Hospital and UNM Medical Group supported faculty salaries and other purposes in the amount of \$130 million. These and other sources of revenue are not transparent in the HED reporting format and do not give policymakers a clear or complete picture of program finances. The format does not guide the institutions to declaring all financial information which might impact legislative decision-making. Other revenues that supplement HSC funding including sales and service are rolled into a miscellaneous category. HED's Financial Reporting Manual is outdated and has not been revised since 1997.

Currently, on a quarterly basis UNM submits a financial status report to HED that includes a comparison of current year-to-date to prior year's activities in operating and plant fund revenues, expenditures and transfers. The consolidated report that includes HSC does not provide transparency of HSC specific financial information.

RECOMMENDATIONS

UNM should submit results of the fund transfer policy audit to the LFC as soon available.

HED should require a quarterly financial status report for HSC.

School of Medicine

Adjustments to UNM SOM funding for medical student training are not formula based, similar to other medical colleges, limiting legislative ability to recommend changes based upon workload and cost. The School of Medicine, like most other medical schools, is not funded through a formula-driven process. Objective criteria to justify appropriations do not exist. Incremental changes are made to the base budget honoring institutional requests and in consideration of available funding, without links to enrollment or performance outcomes. This process can cause revenue to drive institutional priorities while real costs remain unknown; cross subsidization becomes the operational strategy. These issues mask accountability. According to HSC the FY10 state I&G funding for medical education was \$43.9 million.

From FY08 to FY10, enrollment in the SOM for medical doctors increased 10 percent and student credit hours increased 19 percent. Instruction funding increased by four percent in the same time period, but without knowing the cost per student and comparisons with other schools of medicine, adequacy of funding cannot be evaluated.

**Table 7. UNM Health Sciences Center
SOM Enrollment and SCH**

	FY08	FY09	FY10
Enrollment	303	317	334
SCH	5,440	5,819	6,462

Source UNM Official Enrollment Report Fall 2010

**UNM School of Medicine
Instruction Allocation
Excluding Fringe Benefits
(in millions)**

FY08	FY09	FY10
\$32.6	\$34.3	\$33.9

Source: HSC Report of Actuals

UNM HSC has not done an in-depth analysis to ensure spending is in line with their goals and ascertain state financing needs of the SOM educational component. The absence of formula funding places responsibility on UNM HSC to develop methods to identify costs and measure relevant outcomes for legislative decision-making. Developing the methodology will be difficult considering the multiple funding sources for the SOM and the lack of objectivity in identifying faculty effort in education.

Both University Hospital (UH) and UNM Medical Group (UNMMG) reimburse UNM HSC millions of dollars each year for faculty member participation in clinical services. Other state contracts, such as those through the Behavioral Health Services Division of the Human Services Department, provide faculty salary support as well.

Nationally, patient care revenues, generated by medical school faculty, have historically provided major financial support to medical education programs. These revenues are typically derived from faculty activities that combine both patient care and teaching. While most of these revenues support the cost of providing care to patients, some are used to pay for a portion of faculty salaries and other medical school costs.

HSC does not have a methodology for determining the cost to educate a SOM student. In FY10, HSC reported \$33.9 million for instruction costs for SOM. LFC estimated total cost for SOM I&G funding was \$43.9 million using HSC’s actual I&G costs reported to HED and applying the percentage of SOM enrollment (334/1,646 or approximately 20 percent) to the I&G expenses and then multiplying the result by the number of SOM students. The FY10 estimated I&G funding per SOM student is \$127 thousand. Assuming a four year program, the total cost to educate each medical student would be over \$500 thousand.

The Florida Board of Governors January 2010 report included a medical education funding formula that produced a per-student base level of state funding of \$57,500 (exclusive of tuition). The amount was based on a 1997 study that compiled and compared prior medical education cost studies. With the available data, the Board of Governors, using 2008 dollars inflation adjusted average, reported an estimated annual total cost per student of \$115 thousand.

SOM faculty self report teaching time, inhibiting objective determination of educational costs. Each SOM faculty member’s employment contract identifies what portions of a salary will come from which functional source: administration, research, clinical services, and education. It is presumed this information is entered into the HSC’s Faculty Activity Database. Every six months individual work effort for each of the functional areas is reviewed by department chairs. Clinical activity is measured based upon medical review of medical codings and billings. The output measure is revenue per faculty member. Research, teaching and administration are self-reported and do not have specific monitoring. It is unclear how accurate the system is in allocation of funding sources or if effort meets missions and alignment of finances. UNM Internal Audit has this issue slated for a future review.

In FY10 HSC’s faculty salaries for instruction were \$31.4 million, which represents 22 percent of \$140 million in total salaries, exclusive of fringe benefits.

**Table 8. Summary of HSC Faculty Salaries
FY10**

Instruction	\$31,429.9	22.4%
Academic Support	\$2,376.5	1.7%
Institutional Support	\$622.2	0.4%
Internal Services	\$148.6	0.1%
Student Services	\$1,193.4	0.9%
Student Aid	\$549.4	0.4%
Public Service	\$83,235.5	59.4%
Research	\$14,614.3	10.4%
Independent Operations	\$5,905.8	4.2%
Total	\$140,075.6	100.0%

Source: HSC

Table 9. HSC SOM Faculty Salary Distribution Examples

Position	Program Description	Salary Distribution	
Clinician Ed-Assist Professor	Instruction	\$27,398	20.0%
	Public Service/Clinical	\$109,592	80.0%
	Total	\$136,990	100.0%
Clinician Ed-Assoc Professor	Instruction	\$56,429	47.7%
	Student Services	\$56,429	47.7%
	Public Service/Clinical	\$5,400	4.6%
	Total	\$118,258	100.0%
Professor	Public Service/Clinical	\$47,831	40.4%
	Research	\$70,514	59.6%
	Total	\$118,345	100.0%
Professor	Academic Support	\$82,119	34.6%
	Research	\$11,867	5.0%
	Public Service/Clinical	\$143,354	60.4%
	Total	\$237,340	100.0%
Chairperson	Instruction	\$62,336	11.2%
	Research	\$17,348	3.1%
	Public Service/Clinical	\$474,916	85.6%
	Total	\$554,600	100.0%

Source: HSC Finance

UNM SOM faculty salaries fall below benchmarks as compared to other medical schools. The dollar gap between UNM SOM departments and other medical schools is shown in Table 10.

Table 10. FY10 SOM Faculty Salaries Compared to FY09 AAMC Benchmark Institutions

25 th percentile	\$2,421,000
50 th percentile	\$8,893,801
75 th percentile	\$23,627,398

Source: HSC Finance

Comparing all percentiles, only the UNM SOM Department of Surgery met the standard in the 25th percentile. All other departments fell below the 25th percentile standards and none of the departments met the benchmarks in the 50th and 75th percentiles.

In FY09, the UNM SOM employed 710.99 faculty full-time-equivalents. Salaries for the faculty are paid through clinical revenues generated in the provision of patient care services, state appropriations and agreements between clinical sites, such as University Hospital and the SOM.

UNM SOM total revenue per student exceeds only one peer institution. HSC identified five schools as peer institutions. Revenue comparisons for peer SOMs shown in the tables below are from the 2009

financial questionnaire conducted by the Liaison Committee on Medical Education (LCME). The LCME is sponsored by the Association of Medical Colleges and the American Medical Association. All data shown is self-reported to LCME and has not been independently validated.

**Table 11. UNM-HSC and SOM Peer Institutions
2009 Survey - Total Revenues**

SOM	Tuition and Fee Revenues	Government and Parent Support	Grants and Contracts	Other Revenues	Total
UNM	\$7,790,311	\$70,856,102	\$44,852,365	\$15,987,850	\$139,486,628
UC Davis	\$16,073,827	\$129,107,417	\$42,542,997	\$9,983,237	\$197,707,478
U of Washington	\$27,344,986	\$99,555,150	\$257,353,277	\$74,819,648	\$459,073,061
U of Utah	\$12,550,847	\$31,681,316	\$64,530,082	\$0	\$108,762,245
U of Arkansas	\$9,824,837	\$59,787,556	\$32,303,730	\$34,199,897	\$136,116,020
U of Virginia Commonwealth	\$30,435,286	\$59,279,538	\$26,854,504	\$12,497,360	\$129,066,688

Source: AMA Liaison Committee on Medical Education

UNM's School of Medicine total revenue per student excluding research, clinical revenues and gifts and endowment funds is shown below.

**Table 12. UNM-HSC and SOM Peer Institutions
Total Revenues per Student**

SOM	Enrollment	Total Revenues	Per Student
UNM	806	\$139,487,434	\$173,061
UC Davis	407	\$197,707,885	\$485,769
U of Washington	847	\$459,073,908	\$542,000
U of Utah	398	\$108,762,643	\$273,273
U of Arkansas	618	\$136,116,638	\$220,253
U of Virginia Commonwealth	760	\$129,067,448	\$169,826

Source: AMA Liaison Committee on Medical Education

UNM's School of Medicine does not generate comparable amounts of tuition and fee revenues per student. Tuition and fees at UNM SOM are 65 percent below the peer average. The difference in the amount generated per student ranges approximately from 6 thousand dollars to 30 thousand dollars as shown below.

**Table 13. UNM-HSC and SOM Peer Institutions
Tuition and Fee Revenues per Student**

SOM	Enrollment	Tuition and Fee Revenues	Per Student
UNM	806	\$7,790,311	\$9,665
UC Davis	407	\$16,073,827	\$39,493
U of Washington	847	\$27,344,986	\$32,285
U of Utah	398	\$12,550,847	\$31,535
U of Arkansas	618	\$9,824,837	\$15,898
U of Virginia Commonwealth	760	\$30,435,286	\$40,046

Source: AMA Liaison Committee on Medical Education

**Table 14. UNM-HSC and SOM Peer Institutions
State Revenues per Student**

SOM	Enrollment	Government and Parent Support	Per Student
UNM	806	\$70,856,102	\$87,911
UC Davis	407	\$129,107,417	\$317,217
U of Washington	847	\$99,555,150	\$117,539
U of Utah	398	\$31,681,316	\$79,601
U of Arkansas	618	\$59,787,556	\$96,744
U of Virginia Commonwealth	760	\$59,279,538	\$77,999

Source: AMA Liaison Committee on Medical Education

Excluding UC Davis, UNM compares well in comparison in state revenues per student with peer institutions.

Other states and peer institutions are transitioning to outcome based funding. HED will be proposing changes to New Mexico’s funding formula, but is not including the SOM in the proposals.

Washington, Indiana, Ohio, Oklahoma, Pennsylvania, and Tennessee, are using or have plans to proceed to performance-based funding programs for other than medical education. Florida has made significant progress in developing a medical education formula. The Florida College of Medicine uses a mission-based budgeting model that accommodates the teaching, research, and patient care activities of faculty, aligning revenues with intended mission. In February 2011, Florida’s Office of Program Policy Analysis and Government Accountability (OPPAGA) reported their Board of Governors has developed funding formula and uniform reporting procedures for medical education.

Forty percent of all physicians licensed in New Mexico trained at UNM. On average, 75 medical doctors (MDs) graduate from UNM School of Medicine (SOM) each year. According to the 2010 UNM SOM Location Report, MDs who trained at UNM for both phases of their medical education (medical school and medical residency) are twice as likely to practice in New Mexico as MDs who trained at UNM for only one phase of their medical education.

UNM’s location data for FY09 shows 857 out of 1,769, or 48 percent, of UNM trained MDs are practicing in primary care specialties. However, reviewing a five-year period shows the greater percentage of UNM trained MDs are staying in the central region (Bernalillo County), the most populated region. The southeast region appears to be better served in primary care specialties. Summaries by year and region as defined by the Department of Health are shown below. See **Appendix B** for details of the counties included in each region.

Table 15. UNM Trained MDs in New Mexico by DOH Region

Year	Northwest	Northeast	Central	Southeast	Southwest	Total
2005	141	186	905	57	118	1,407
2006	159	185	940	57	123	1,464
2007	135	189	963	56	123	1,466
2008	138	213	1,042	61	131	1,585
2009	152	216	1,191	69	141	1,769
5 Year Change	7.8%	16.1%	31.6%	21.1%	19.5%	25.7%

Source UNM SOM Location Reports

Table 16. UNM Trained MDs Practicing in Primary Care Specialties¹

Year	Northwest	Northeast	Central	Southeast	Southwest	Total
2005	84	110	394	29	67	684
2006	81	112	413	30	71	707
2007	80	114	420	32	71	717
2008	78	123	465	36	73	775
2009	84	121	535	42	75	857
5 Year Change	0%	10%	36%	45%	12%	25%

Source UNM SOM Location Reports

¹ Primary care specialties include family practice, internal medicine, pediatrics and obstetrics/gynecology.

Twenty-three percent (400 out of 1,769) are practicing in selected specialties that include anesthesiology, general surgery, emergency medicine and psychiatry.

Table 17. UNM Trained MDs Practicing in Selected Specialties

Year	Northwest	Northeast	Central	Southeast	Southwest	Total
2005	29	39	204	16	25	313
2006	27	36	214	16	27	320
2007	28	37	224	15	28	332
2008	31	43	235	14	32	355
2009	32	42	279	12	35	400
5 Year Chg.	10%	8%	37%	-25%	40%	28%

Source UNM SOM Location Reports

The return on investments in the Combined BA/MD Degree program will not be fully realized for at least a decade. The program is a long-term investment in individual student's medical education. The first group of students will finish medical school in 2014, and will presumably complete a residency program of three to eight years, depending on their specialty, before entering practice.

UNM's College of Arts and Sciences and School of Medicine (SOM) collaborated in the development of the Combined BA/MD Degree Program (BA/MD Program). Started in FY06, the eight-year special

program was designed to help address the physician shortage in New Mexico by assembling a class of diverse students committed to serving underserved New Mexico communities.

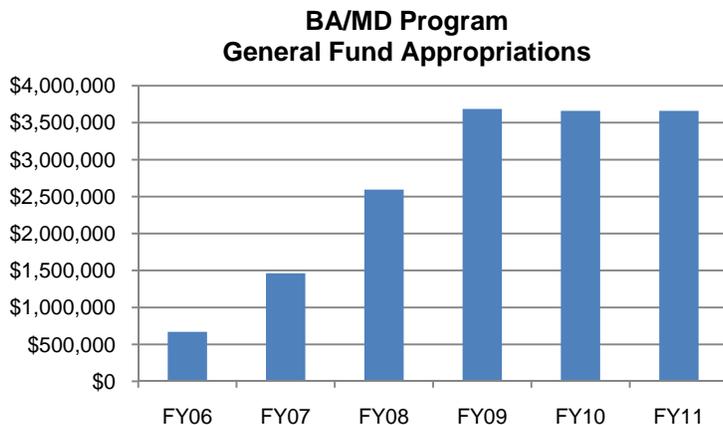
Students in the BA/MD Program are enrolled in the College of Arts and Sciences and are provisionally accepted to the UNM SOM upon admission to the undergraduate program. Health, Medicine and Human Values (HMHV) is the BA/MD major offered exclusively to BA/MD students. Students can also opt to pursue other UNM bachelor's degrees. To ensure the students succeed, the program:

- Assigns program staff and faculty to work with individual students;
- Provides financial support in the form of scholarships;
- Assigns peer, medical student, and faculty members as mentors; and
- Provides summer practicum experiences with rural physicians and community members to assist the student in a community health project.

Students who accept a position in the BA/MD Program are required to attend the UNM School of Medicine and sign a statement of commitment to acknowledge their commitment to stay in New Mexico to practice medicine. Any student who breaches the agreement and applies to a medical school(s) other than UNM SOM may be subject to investigation by the American Medical Colleges Application System (AMCAS), which could result in a permanent academic violation that would appear on all of the student's AMCAS applications to U. S. medical schools. There are no other consequences stated in the agreement.

The BA/MD program student credit hours do not generate I&G formula dollars. BA/MD student credit hours are designated as restricted by HSC to ensure the undergraduate program is not subject to funding per formula, but also protects the state from double funding the program.

The state has provided \$15.7 million in funding for the BA/MD program from FY06 through FY11. In FY10, faculty expenses for instruction were almost \$753 thousand or 62 percent of funding, which includes faculty from main campus. In FY10, HSC reported instruction and general costs of \$2.4 million. In the same year, there were 15 medical departments in the School of Medicine with instructional spending less than that of the BA/MD program.



Source: GAA

In comparison, over a five-year period, New Mexico Health Resources recruited 106 physicians to New Mexico at a cost of approximately \$11.5 thousand per recruitment. Physicians remained in the state for an average of six years. The annual budget for the agency is just over \$500 thousand per year.

Scholarships are just over 30 percent of the cost of the BA/MD program. To date the BA/MD program awarded \$3.3 million in scholarships and has set aside \$743 thousand for scholarship awards in FY11 and FY12 and committed another \$457 thousand for future scholarship awards. The amount of BA/MD scholarship awarded varies from student to student. All BA/MD students are required to apply for all scholarships for which they are qualified. The BA/MD undergraduate scholarship, which all BA/MD students are eligible to receive, is for basic educational costs not covered by other scholarships. Student loans and work study awards are included in the award package and BA/MD scholarships are adjusted accordingly.

Each year 28 students from throughout New Mexico are accepted into the program. The first two cohorts of students had retention rates of 67 percent and 71 percent, respectively. The first cohort has just completed their first year of medical school. Currently there are 142 students in the program with an 84 percent overall retention rate. Students either withdrew voluntarily or were released for academic reasons.

HSC reported two students from the 2006 matriculate class completed their undergraduate degrees in three years, were the first BA/MD students enrolled into the SOM in fall 2009 and just completed their second year of medical school. Sixteen students (14 from 2006 cohort, 2 from 2007 cohort) completed their first year of medical school. The BA/MD program retention rate by cohort is shown below.

Table 18. BA/MD Program Retention by Cohort

Fiscal Year	Enrolled per Cohort	Active per Cohort	Retention per Cohort
FY06	30	20	67%
FY07	28	20	71%
FY08	28	21	75%
FY09	28	25	89%
FY10	28	28	100%
FY11	28	28	100%
Total	170	142	84%

Source: LFC

Funding for the program continued to increase through FY09. Funding does not have a direct tie to enrollment as shown in the following table.

Table 19. BA/MD Program Funding per Student

Year	Students per Year	Appropriations Net of Rescissions	Funding per Student	Percentage Change per Student
2006	30	\$669,800	\$22,327	
2007	58	\$1,462,101	\$25,209	13%
2008	85	\$2,593,905	\$30,517	21%
2009	109	\$3,702,246	\$33,966	11%
2010	133	\$3,661,223	\$27,528	-19%
2011	142	\$3,739,060	\$26,331	-4%

Source: UNM HSC Budget Office

The BA/MD program is not unique to UNM SOM. According to the Association of American Medical Colleges, there are over 30 schools who offer combined medical degree programs. The combined programs range from six to eight years, with the majority at eight years. Many of the programs have similar admission requirements, scholarships opportunities, faculty mentorship and participation in service-based programs in the community. The SOM may seek to refine the program based on reviews completed of programs in peer institutions, as well as internal review.

College of Nursing

Since FY08, investments in nurse education have increased but enrollment and degree production has decreased. State support for nursing programs at public, post-secondary institutions is currently provided in several forms: 1) formula funding as instruction and general funding for each campus; 2) line-item expansion amounts and other general fund appropriations; 3) lump sum funding to the Higher Education Department (HED), which is competitively awarded; and 4) student financial aid funding.

Resources allocated toward direct nurse instruction have increased 35 percent, from \$2.9 million in FY08 to over \$4 million in FY11. The total I&G budget for CON during the past four years is shown below.

**Table 20. College of Nursing
Instruction and General Budget
Excluding Fringe Benefits
(in thousands)**

	FY08	FY09	FY10	FY11
CON Instruction	\$2,962.7	\$3,187.9	\$3,121.9	\$4,012.4
Advanced Practice	\$518.5	\$532.6	\$519.3	\$475.4
BSN Distance	\$256.9	\$263.1	\$256.5	\$234.8
Cert. Nurse Midwifery	\$334.6	\$335.7	\$284.1	\$0.0 ¹
Expansion	\$1,198.5	\$1,590.5	\$1,552.8	\$1,188
subtotal Instruction	\$5,271.2	\$5,909.8	\$5,734.6	\$5,910.7
Academic Support	\$414.8	\$424.5	\$531.9	\$486.9
Total I&G	\$5,686.0	\$6,334.3	\$6,266.5	\$6,397.6

1. Moved into base CON Instruction Line Item Budget

Source: HSC Operating Budgets

The *Statewide Nursing Education Plan* ranked New Mexico 49th out of 51 states in the number of registered nurses per 100,000 people. According to the New Mexico Center for Nursing Excellence, New Mexico will need approximately 5,000 additional registered nurses over the 2008 workforce by 2020. This estimate does not reflect any impact of health care reform legislation.

During the past four years, CON has received \$8.2 million in additional funding through the nurse expansion program, program development enhancement fund, and supplemental nursing compensation. In fact the Legislature has dedicated significant resources toward expanding nurse education over the past decade. Since 2002, in addition to I&G funding, the Legislature has appropriated \$15 million to the CON for the purpose of increasing the number of baccalaureate prepared nurses available to practice in New Mexico.

The HED Program Development Enhancement fund appropriation from FY08 to FY10 provided public higher education institutions support to expand nursing programs. This support provides additional salary for nursing faculty and expands facilities and equipment in an effort to increase the number of graduates in the field of nursing. HED awards these funds directly to the nursing programs through competitive grants. HSC's \$802 thousand represents 12 percent of the Program Development Enhancement Fund available for distribution to all eligible institutions. HED also distributed supplemental nursing compensation of \$500 thousand through the general fund statewide to the various higher education institutions. HED's distribution to HSC decreased in FY10 by 34 percent from 37 percent in FY08 as shown in Table 21.

Table 21. HED Supplemental Nursing Compensation Allocation

	FY08	FY09	FY10
Appropriation	\$500,000	\$500,000	\$465,100
Faculty	\$143,365	\$137,467	\$123,032
Staff	\$41,468	\$36,562	\$35,583
Total	\$184,833	\$174,029	\$158,615

Source: HED

The additional funding from FY08 to FY11 is detailed in the following table.

Table 22. College of Nursing Additional Funding
(in thousands)

Funding Source	FY08	FY09	FY10	FY11	Total
Nurse Expansion	\$1,490.7	\$1,961.3	\$1,922.1	\$1,520.2	\$6,894.3
Program Development Enhancement Funds	\$0	\$418.3	\$383.6	\$0	\$801.9
Supplemental Nurse Compensation	\$184.8	\$174.0	\$158.6	\$0	\$517.4
Total	\$1,675.5	\$2,553.6	\$2,464.3	\$1,520.2	\$8,213.6

Source: HED

In addition to the state supplemental funding, HSC has also implemented tuition differentials for all levels of nursing education. Students who entered the College of Nursing in fall 2010 paid the following tuition differentials per credit hour: \$156 for undergraduate courses, \$204 for masters level courses, and \$300 for doctoral level courses. For FY11, HSC estimates the tuition differential will generate over \$300 thousand.

The College of Nursing has increased faculty and staff salaries, but has not made much progress in hiring additional teaching faculty. HSC stated supplemental funding has been used to “maintain the status quo and the uncertainty of reoccurring funding limits the ability to recruit additional staff.” Only one new faculty member was employed. Although the FY11 CON I&G allocation reflects an increase of 14.49 CON FTEs, this includes FTEs associated with certified midwifery and nurse expansion which were moved from line items RPSP to I&G funding.

Despite increased funding commitments, nursing fall enrollment has decreased by over 21 percent; student credits hour enrollment is down 14 percent, and degree production has decreased 10 percent. The CON performance measure target for nurse expansion enrollees is 120 per year. CON reports meeting the target in FY08 and FY09, but only admitting 88 in FY10. The Center for New Mexico Nursing Excellence whitepaper, *Nursing in New Mexico 2011*, reported in FY10, New Mexico schools and colleges of nursing were unable to admit 395 qualified students due to lack of resources. The whitepaper cited other challenges: faculty recruitment and retention and hiring a sufficient number of appropriately educated nurses. In the same year, UNM changed their admission process limiting the number of enrollments due to “funding restrictions”. Students are now admitted twice a year instead of three times per year, lowering the admissions from 120 basic baccalaureate students to 96 per year.

Fall semester enrollment for undergraduate nursing students decreased 29 percent between FY08 and FY10 as shown in Table 23.

**Table 23. College of Nursing
Fall Semester Enrollment**

	FY07	FY08	FY09	FY10	1 year change
Undergraduate	299	343	268	243	-9.3%
Graduate	213	208	206	190	-7.8%
Total	512	551	474	433	

Source: UNM Official Enrollment Report Fall 2010

The number of bachelor of nursing degrees awarded has continued to decrease, from 207 in FY08 to 174 in FY11. The number of students awarded a Masters degree has increased, as shown in Table 24. As enrollment has decreased, HSC reports that graduation rates for CON increased. CON reported an overall graduation rate of 75 percent in FY09 and 80 percent in FY10 for bachelor degree seeking students.

**Table 24. UNM HSC College of Nursing
Nursing Degrees Awarded**

Degree	FY08	FY09	FY10	FY11
Bachelors	207	171	186	174
Masters	52	46	47	65
Post Masters	4	3	3	7
Doctorate	0	0	2	1
Total	263	220	238	247

Source: Council of University Presidents
Performance Effectiveness Reports

HSC appears to have the ability to track student success post-degree, as a way of ensuring quality programming. A 2009 survey completed by CON found 57 percent of all graduates practice in New Mexico, which is comparable to UNM as a whole, according to HSC. In addition, UNM-Taos nursing program reported fourteen of the sixteen students in most recent graduating class, passed the state board examination, with eleven employed in the Taos area.

The New Mexico Nursing Education Consortium (NMNEC), a collaboration of 24 nurse training programs, was established to improve the quality of nursing education and allow students to pursue bachelor degrees in the their home communities. All state funded undergraduate nursing programs are

members of the consortium. The aim of the consortium is to create a common core curriculum across participating program to: improve cost efficiency, educational access and program quality, and develop a larger, sustainable workforce. Faculty trained in the common curriculum will teach onsite or via distant education modalities. Presently the consortium's operation is funded by small grants.

Central New Mexico Community College and the CON have already taken first steps through a demonstration project in Rio Rancho. Students are admitted to both programs and faculty from both schools provides instruction.

Currently, work is being done to finalize the statewide curriculum and developing timelines for curriculum approval by each school. The proposed schedule for initial programming is slated for no later than 2013. The consortium will need assistance from HED in determining how to address such issues as tuition and graduation credits.

RECOMMENDATIONS

UNM should develop and implement policies governing the transfer of the instruction and general funds between UNM HSC and UNM main campus.

UNM HSC should work with HED and LFC to develop metrics to inform and justify budget changes.

UNM SOM should:

- Develop methodologies for calculating educational cost per student and report in the General Appropriation Act (GAA) performance measures.
- Consider actions by other states to develop and implement a formula-funded process for medical student education, including validation of faculty teaching time.
- UNM SOM should develop and be prepared to report on the BA/MD program through GAA performance measures: percentage of BA/MD graduates practicing in New Mexico and retention of employment in the state (new category for SOM Location Report).
- Work with LFC and HED to develop additional outcome measures for medical and resident physician students choosing to practice in New Mexico.

UNM CON should develop GAA performance measures specifying annual bachelor degree enrollment and degrees awarded and the number of graduates practicing in New Mexico bi-annually

HED should:

- Develop a method for reporting, specific to the UNM Health Sciences Center, to capture detail revenues by source, delineate expenditures, and identify state resource expenditures for each medical education student.
- Develop draft policies for NMNEC common nursing curriculum program.

Legislature should routinely monitor the progress of costly programs to ensure value to the state: BA/MD, Nurse Expansion, and Cooperative Pharmacy.

COMPREHENSIVE REPORTING AND HED OVERSIGHT WOULD HELP IMPROVE FUNDING DECISIONS AND ACCOUNTABILITY FOR RESULTS AT UNM-HSC.

Line item appropriations for research and public service projects at institutions of higher education serve multiple purposes. Historically, the Legislature has made line item appropriations for specific purposes to institutions of higher education in addition to those for instruction and general operations. The appropriations traditionally have funded various research and public service projects (RPSP) that serve the following functions:

- Fund start-up and expansion educational programs that would not initially receive funding under the Instruction and General (I&G) formula system purposes.
- Fund higher education activities that are not covered by I&G formula, such as providing services to the non-campus community or conducting research.
- Provide greater accountability by targeting appropriations to specific programs.

The Higher Education Department (HED) has general oversight authority for RPSP and higher education governing boards do as well. From the perspective of higher education institutions, RPSP exist to provide funding for research and public service projects that do not receive funds under the funding formula. From the perspective of the legislature, RPSP provide a mechanism to specify legislative priorities in higher education. Some RPSP are state agencies or programs with a statewide purpose with statutory direction.

In 2008, an LFC program evaluation of selected RPSPs suggested the need for improved strategic planning, program management, and program results. Between FY06 and FY08, the number of RPSP had increased from 188 to 332 in seven institutions of higher education. The report found that line item appropriations have some drawbacks that tend to result in fragmented programs and divert oversight from larger and more strategic issues facing higher education. In addition, in some cases the line item appropriations can be abused by institutions to circumvent the funding formula and their proliferation reduces oversight as fiscal analysts lack time to assure funds are being spent appropriately and effectively. The numerous small dollar amount appropriations make it practically impossible for HED to effectively monitor and provide oversight.

In response to these challenges the legislature funded two additional positions at HED, specifically intended to audit and monitor RPSP. However, it appears these positions have not been used as intended. The LFC FY12 budget recommendation indicated that concerns persist regarding the number of research and public service projects supported from the general fund and the lack of associated accountability and performance outcomes.

The previous LFC evaluation found that RPSP funding of UNM-HSC programs resulted in disjointed priorities that undermined its strategic approach to healthcare for New Mexicans. Specifically, the report stated, “RPSP funding produces fragmented rather than integrated strategies in providing exceptional health care. There are no RPSP that directly address half of the top major causes of deaths in New Mexico. Growing use of RPSP to fund HSC operations is restrictive and creates administrative burdens to management.” Additionally, the report found that HSC programs typically had weak strategic plan components; appropriations were not always expended effectively; and improvements were needed for rural counties to receive services when requested via locum tenens.

The number of separately funded RPSP appropriations for UNM-Health Sciences Center has decreased from 40 in FY08, to 17 in FY12. In FY08, the 40 RPSP line items received \$33 million from general fund appropriations. FY10 discussions centered on moving some of this funding into the Instruction and General (I&G) base budget and consolidating funding for similar projects. For FY12, HSC now has 17 RPSP line items, which included \$26.1 million in appropriations from the general fund, as shown in Table 25. Four appropriations were eliminated and one consolidated. Other state funds include Tobacco Settlement Funds and revenues from sales and services. Although the appropriations for RPSP incorporated into the I&G no longer appear as an individual line item, the funding does transfer to the I&G account.

**Table 25. Summary of Health Sciences Center RPSP Funding
Laws 2011
(in thousands)**

Item Description	General Fund	Other State Funds	Federal Funds	Total
Office of Medical Investigator	\$4,002.7	\$2,514.0		\$6,516.7
Children's Psychiatric Hospital	\$6,525.5	\$12,090.0		\$18,615.5
Carrie Tingley Hospital	\$4,709.9	\$12,777.0		\$17,486.9
Out-of-County Indigent Fund	\$949.2			\$949.2
Newborn Intensive Care	\$3,191.1	\$2,432.0		\$5,623.1
Pediatric Oncology	\$956.9	\$290.7		\$1,247.6
Area Health Education Centers		\$36.3		\$36.3
Poison Control Center	\$1,295.1	\$335.1	\$198.0	\$1,828.2
Cancer Center	\$2,591.4	\$5,674.0	\$12,523.0	\$20,788.4
Genomics, Bio-computing and Environmental Health Research		\$1,031.0		\$1,031.0
Los Pasos Program		\$36.3		\$36.3
Trauma Specialty Education		\$290.7		\$290.7
Pediatrics Specialty Education		\$290.7		\$290.7
Native American Health Center	\$266.5			\$266.5
Hepatitis Community Health Outcomes	\$867.5			\$867.5
Nurse Expansion	\$731.4			\$731.4
Other		\$286,134.0	\$73,072.0	\$286,134.0
Total	\$26,087.2	\$323,931.8	\$85,793.0	\$435,812.0

Source: Laws 2011 General Appropriations Act

The Legislature has granted HSC flexibility by moving some RPSP funding into the base I&G appropriation, including some projects with statewide impact that will require a different approach to monitoring finances and outcomes. Of the 22 RPSPs rolled into the I&G appropriation since FY08, six appear to have statewide service implications with funding totaling \$3.1 million. These programs include, the EMS Academy, Locum Tenens, Telemedicine, Area Health Education Center (AHEC), Rural Physician Residencies and Cooperative Pharmacy. Separate state reporting of financial and performance results will no longer be required for these programs. Internally, HSC may choose to maintain separate financial and performance tracking and in some cases consolidation or changes may be worthwhile. Alternative accountability measures will be necessary for these programs to the extent these initiatives

remain important to the Legislature. The traditional performance reporting requirements required by the Accountability in Government Act (AGA) could be used instead of the RPSP monitoring system. The AGA was implemented, in part, to provide budget flexibility to agencies in exchange for greater accountability for results.

Rolling funding into I&G creates opportunities to consolidate some former RPSP projects with overlapping program objectives internally at HSC. For example, AHEC, Rural Physician Residencies, and Department of Psychiatric Residency programs have similar goals of providing support for health professionals involved in clinical training in rural and underserved areas. For each, the intent is to increase recruitment to rural practice. AHEC has received \$1.2 million in general fund appropriation from 2005 to 2010, and the Rural Physician Residencies received \$996 thousand. The Department of Psychiatry Rural Residency Program has received over \$1 million from FY08 to FY10 through a contract with the Behavioral Health Services Division of the Human Services Department. Given that the Legislature has provided budget flexibility, accountability measures under a streamlined approach to improving rural practice can now be reported as part of the AGA requirements.

Some HSC projects clearly serve a statewide purpose and require a different level of oversight than RPSPs that are intended to be temporary. For example, the Office of the Medical Investigator (OMI) and the New Mexico Poison and Drug Information Center both perform public service functions either required by statute or that meet a statewide need. OMI was created by statute in 1972 and investigates all reportable deaths occurring in New Mexico to determine the cause and manner of death and to provide formal death certification. OMI is designated as a special program within the Department of Pathology at the School of Medicine.

In 2011, the Legislature passed a bill to establish the Poison and Drug Information Center in statute, but it was vetoed by the governor. The Poison and Drug Information Center operates a 24 hour-per-day call center staffed by specially trained pharmacists. In FY10, the center handled over 41,000 calls, 103 bedside consults, and numerous poison prevention trainings. Studies have shown poison control centers eliminate or minimize hospitalizations.

The LFC budget recommendations during recent financial constraints prioritized RPSP that have a statewide role. For FY12, the LFC recommended a flat appropriation amount for OMI and a five percent reduction for the Poison and Drug Information Center despite the need for considerable reductions in appropriations from the general fund. Other RPSP without a statewide role were recommended for larger reductions, recognizing HSC has considerable internal flexibility with balances to offset projects considered state priorities.

Continued attention towards financing OMI workload is needed to ensure it can carry out timely investigations and autopsies at a reasonable cost. OMI workload increases combined with different costs to operate at the new State Scientific Laboratory requires continued monitoring of workload, funding and sources used to carry out state duties. Appropriations from the general fund for OMI have increased from \$3.9 million to \$4 million, or 2.6 percent, between FY08 and FY12. When including other state funds, funding amounts have increased almost 30 percent, from \$5 million to \$6.5 million. UH purchases over \$400 thousand in services from OMI. Despite these increases OMI carries an internal negative fund balance of over \$1.5 million and has struggled to finance increased workload and the move to the new facility. In FY10, OMI reported a net operating balance of over \$200 thousand, which has helped decrease its internal negative fund balance covered by HSC. Increased state appropriations may

end up offsetting these negative balances financed by HSC, which overall has considerable positive fund balance.

In FY11, OMI state workload is estimated at over 5,400 death investigations and 1,864 autopsies. According to OMI, about 86 percent of its work is related to state requirements. Based upon the first six months of this fiscal year, OMI will perform just over 2,000 autopsies in FY12. These changes without adjustments may cause OMI to exceed the maximum annual autopsy limits per pathologist imposed by the National Association of Medical Examiners, the accreditation body for OMI. The maximum cap is 250 autopsies per pathologist to prevent accreditation deficiencies.

The move to the new facility has increased some overhead costs, such as security. However, the new facility has resolved issues cited by its accreditation body and improved worker safety standards. OMI now has increased space and facility capacity to handle increased workload. OMI has opted in some cases to use commercial laboratory services due to delays in receiving results from the state laboratory. Expanded and continued use of outside laboratories may be cost prohibitive.

Applying outcomes of studies completed in New Jersey and Utah, it is possible over \$26.1 million in inpatient admission costs to New Mexico hospitals was prevented by the New Mexico Poison and Drug Information Center. Poison centers save health care dollars by managing most poison exposures at home with telephone follow-up. Poison centers also help reduce overall health care costs, even when treatment in a hospital is necessary. Studies have shown when hospitalization is necessary; consultation with a poison center can significantly decrease the patient's length of stay by the more effective use of laboratory testing, more efficient use of antidotes, and appropriate monitoring practices. Patients managed with poison center assistance cut their average length of hospitalization from 6.5 to 3.5 days, resulting in further savings of more than \$21 thousand per patient. The annual cost savings attributable to poison center support for inpatient care of poisoned patients is more than nine times greater than the total cost of running all American poison centers. Finally, poison centers provide additional benefits in rural areas where health care resources may be limited.

The Poison and Drug Information Center has experienced a 13 percent decline in appropriations from the general fund between FY09 and FY12, decreasing from \$1.48 to \$1.29 million. Tobacco Settlement Fund appropriation reductions occurred during the same time period, decreasing from \$519 to \$335 thousand. Given benefits from avoided inpatient hospital costs due to poisonings, other alternative financing models should be explored. For example, hospitals voluntarily help finance poison control center in West Virginia in a similar way done for nurse advice lines here in New Mexico.

Enrollment and student retention issues have prevented the Cooperative Pharmacy program in progressing as planned. The Cooperative Pharmacy Program was an RPSP rolled into HSC I&G in FY10. The program was established in FY08 and represents collaboration between UNM College of Pharmacy and New Mexico State University (NMSU) intended to improve the educational pipeline for pharmacists for southern New Mexico. Students first attend pre-pharmacy coursework offered through NMSU before attending HSC pharmacy program. Coursework taken by students generates formula funding, but the RPSP is intended to provide scholarships and additional specialized student services. The program was funded through an FY08 \$457 thousand RPSP appropriation. In FY09, the program received a \$446 thousand appropriation. For FY10 the funding was moved into HSC I&G.

The program took one year to organize, had initially small enrollment, but had grown to 43 students with only 30 students remaining as of fall 2010. Inconsistent performance reporting has made oversight more difficult, but the program had a cumulative retention rate of 70 percent. According to HSC, the College of Pharmacy in reaction to students leaving the program redesigned the program to improve retention rates. Now that the program is incorporated in the I&G funding, it is unclear whether outcome data, such as practice location of pharmacy graduates, will be reported to help assess the results of this state investment.

HED continues to struggle to perform adequate oversight of RPSP. HED collects performance reports, but does not appear to perform any analysis or monitoring. Administrative rule (5.3.5.12, NMAC), requires periodic review of RPSP to determine ongoing need and effectiveness of the project. Further, projects are supposed to be reviewed at least once every four years. However, HED has not performed and reported on reviews of RPSP since the LFC report in 2008. The legislature has funded two audit positions to increase oversight, provide accountability and monitor projects. However, one position remained vacant and was eliminated in FY10 and the other was not deployed for the legislature's intended purpose.

Without an evaluation process in place, funding needs cannot be assessed, program effectiveness cannot be determined, and evaluation of institutional and statewide priority needs cannot be done. In some cases, the lack of oversight has allowed stale data to be reported that hampers effective performance-based budgeting. HED's performance reporting instructions lack clarity, resulting in the submission of stale data, for example, FY07 information was provided in FY09 performance reports.

Reporting does not provide comprehensive financial information that makes determining the state role in financing key HSC functions more difficult. For example, the Cancer Center provides a vital role in public service, education, and research of treatment for cancer. In FY10, the Cancer Center had a budget of \$109 million, which included about \$2.8 million in appropriations from the general fund. However, RPSP reporting includes only the funded sub-component used for clinical research trials and does not include full financial information to obtain a global understanding of the state role in financing the Cancer Center.

Similarly, since 1987 the state has directly invested over \$61 million for the Newborn Intensive Care (NBICU). The NBICU and Specialized Perinatal Care RPSP have other revenue sources generated through inpatient days at UH. These revenues and costs are not included in the RPSP performance reports and the report of actual costs. At the time NBICU and Specialized Perinatal Care programs were established the intensive and perinatal special care services were not available in New Mexico. Presently all three major health care facilities in Albuquerque offer some level of service to both populations. Less intensive services for pregnant women and new born babies are offered in other hospitals throughout the states. As a result, the continuing need for separate state financing is unclear.

RECOMMENDATIONS

HSC should:

- Ensure RPSP performance reports include most current performance and financial data.
- Review objectives and goals of RPSP and former RPSP appropriated programs to identify overlapping services and merge similar programs.
- Develop an integrated financial reporting format to inform HED and the Legislature of all revenues and expenses when an RPSP overlaps with or is an adjunct services to one operated by a non-RPSP entity of HSC, to include UNM Health System and UNM Medical Group.
- Develop and implement performance measures that reflect specific measurable goals with quality outcome indicators and targets.
- Work with HED and LFC to, as appropriate, integrate performance reporting for an RPSP which have been included in I&G funding as part of AGA reporting requirements. Consideration should be given to streamlining reports into a single consolidated HSC performance accountability report.
- As part of budget discussions with LFC analysts, the HSC, Poison and Drug Information Center and OMI should work towards a recommended plan to deal with funding issues and concerns, including OMI's negative fund balance.

HED should implement audits of RPSP and report results to LFC. Also, consider improvements to reporting and implement an analysis process to ensure the statutory mandates are satisfied and policy makers have current, accurate data which fully discloses the financial and quality performance of RPSP.

THE STATE OF NEW MEXICO STEERS FUNDING TO UNM HOSPITALS

University of New Mexico Hospital (UH) plays key roles in the state’s health care system. In response to public demand, UH serves as the major safety net hospital in the state and is the primary teaching facility for the UNM Health Science Center health professional training programs.

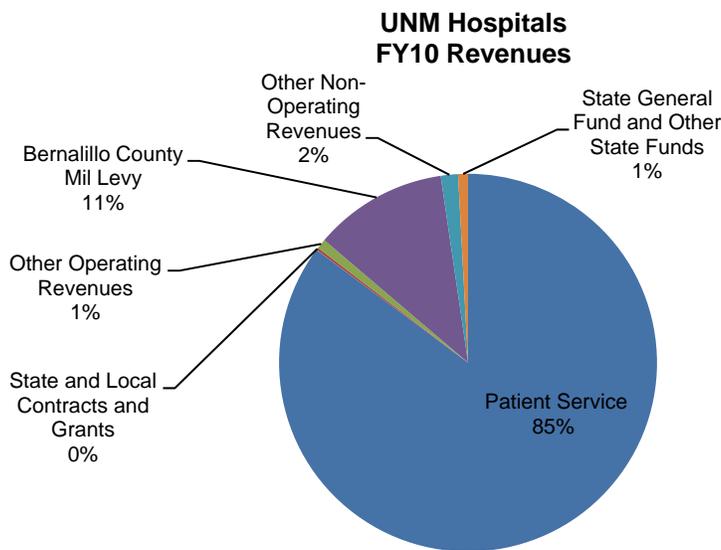
The UH complex includes the main hospital, UNM Children’s Hospital, Carrie Tingley Hospital, Children’s Psychiatric Center, University Psychiatric Center, and numerous on-campus and offsite clinics and outpatient treatment facilities. University Hospital has the only Level I Trauma Center, children’s hospital, burn unit, and operates the busiest emergency room in the state. UH hospitals has achieved rankings equal to or exceeding national hospital clinical performance measures for 11 out of 19 standards, as reported by Hospital Data.

Table 26. FY10 UH Workload

ER Visits	77,567
Surgeries	18,016
Outpatient Visits	416,317
Routine Inpatient Days	177,094
Intensive Care Days	80,074
Ancillary Services	3,581,650

Source: HSC Data Book

University Hospital has considerable reliance on federal, state, and local government funding. Total revenues for the year were over \$746 million, increasing the unrestricted fund balance from \$108.7 million in FY09 to \$118.7 million in FY10. The fund balance represents 63 days of operational costs for UH. As shown in the following chart, patient service revenues are the largest source of funding for UH.



Source: UH 2010 Financial Audit

From FY08 to FY10, the New Mexico Medicaid program reimbursed UH \$646 million. Medicaid fee-for-service and managed care reimbursements to UH for patient care services were over \$538 million from FY08 through FY10. In the same years, the State Coverage Insurance program reimbursed UH \$107 million. In addition, hospital billings to Medicare totaled \$224 million.

Table 27. FY08-FY09 Medicaid Reimbursement
(in millions)

	Medicaid Fee for Service	Medicaid Managed Care	State Insurance Coverage	Total
FY08	\$75.2	\$88.0	\$23.6	\$186.8
FY09	\$83.3	\$109.0	\$38.9	\$231.2
FY10	\$71.2	\$112.0	\$44.8	\$228.0

Source: UH Finance

Molina Healthcare contracts with the New Mexico Human Services Department and UH to provide the administrative services associated with the State Coverage Insurance program. Molina receives a capitation payment for each enrollee. In FY10, the percent of the capitation rate, retained by Molina for administrative services, was 13.5 percent, which was decreased in FY11 to 11.78 percent. The State Coverage Insurance reimbursement in Table 27 is UH net revenue, excluding Molina fees. The contract between HSD and Molina specifically allows Molina to delegate any enrollment tasks to UH. It is unclear which specific duties are retained by Molina. However, given Molina largely serves as a pass-through payer these administrative and overhead fees appear excessive.

In FY10, UH received over \$60 million in supplemental payments from federal and state funding sources intended to offset the revenue gap created by uncompensated care. In addition to the routine reimbursement for services, UH is benefitted by supplemental payments from the state and federal governments. Two programs funded by Medicare and Medicaid are available to hospitals which meet criteria established by either the federal or state government.

- Disproportionate share hospital funding is paid by both Medicare and Medicaid to hospitals based upon proportion of Medicaid clients to total patient population or low-income patient utilization exceeding 25 percent of all patients and totaled \$22.5 million in FY10.
- Upper payment limit reimburses eligible hospitals the difference between Medicaid and Medicare rates. University Hospital certifies the public expenditures which negate the requirement for the state provide a match for federal upper payment limit dollars. UH received \$38.9 million in FY10.

Graduate education costs incurred by UH are subsidized with \$37 million from state and federal funding. Although classified as trainees, resident physicians, those completing education in medical specialties, are treated as employees.

- Graduate medical education funding compensates medical education clinical teaching sites for a portion of resident physician salaries, the overhead associated with salaries, program administration, and faculty supervision. In FY10, UH funded 343.38 FTE resident physicians in twenty specialties. Just over 35 percent of the trainees are in primary care and obstetrical programs.
- Indirect medical education is provided to eligible hospitals to recognize the costs associated with training of resident physicians: higher acuity patients, state-of-the-art technology, inefficiencies associated with having multiple learners on site, increased use of diagnostic services and supplies, and the added hospital staff needed to accommodate the teaching program and clinical services. Indirect medical education is based upon the proportion of services to Medicare and Medicaid patients and the ratio of residents to hospital beds.

The total contribution to UH for all supplemental funding is shown in the table below.

Table 28. FY10 Supplemental Medicare and Medicaid Payments (in millions)	
Disproportionate Share Hospitals	\$22.5
Upper Payment Limit	\$38.9
Graduate Medical Education	\$6.3
Indirect Medical Education	\$30.7
Total	\$98.4

Source: FY10 UH Combined Statement of Revenues and Expenses

Over \$135 million in other state and local funds bolster UH revenues for operations and patient care. In FY10, state appropriations and contracts with state agencies or state contractors, reimbursed UH over \$19.2 million for direct patient care or other services. UH received over \$4 million in contract funding to provide behavioral health and substance abuse services.

The state appropriates supplemental funding for the operations of Carrie Tingley Hospital, Children’s Psychiatric Center, and the Young Children’s Health Center to HSC. The funds are then transferred to UH, which is administratively and financially responsible for the programs. FY10 appropriations from the general fund for the three programs totaled over \$12.8 million. Carrie Tingley also benefits from \$801 thousand in allocations from the Permanent Land Fund.

University Hospital’s FY10 financial statements identified \$21 million in out of county resident uncompensated care. In the same year UH received \$1.16 million from the Out of County Indigent Fund.

Bernalillo County residents provided \$90.6 million in revenues to UH through a county property tax mill levy. The UH portion of the mill levy is intended to pay for the operation and maintenance of the hospital. The allocation to the University Psychiatric Center does establish expectations in service delivery. Continuation of the mill levy funding is contingent upon Bernalillo County residents’ approval every eight years.

Although UH has fared well financially, reimbursement and structural changes in the healthcare arena will create financial challenges that require close monitoring. The federal Patient Care and Affordability Act (PPCA) has passed, but regulations implementing the Act are not yet in place. Without known regulations, it is difficult to gauge the impact of planned changes on the healthcare system and UH specifically in a more detailed way. The Act reallocates some resources from supplemental hospital payments to expanding health insurance coverage, and will substantially increase performance expectations for the system.

The dual roles of the UNM Health System, one as a public safety net hospital and the other as the major health professional training site for HSC, create additional issues to address as the government restructures health care financing and change the ways in which care has been historically delivered.

The impact of federal health reform specific to academic medical centers (AMC) was outlined by the University Health System Consortium in a 2011 document prepared for member hospitals. In the early reform stages AMC will see: bundled and value-based pricing, five percent of Medicare revenues at risk, a push for AMC to increase the core census (usually tertiary and secondary care services), allow commodity services to return to community providers, while decreasing variable costs, and penalties for

readmissions. Outgoing years will further decrease Medicare reimbursement, with decreases likely mimicked by the commercial payer community.

Although concerns exist regarding decreases in reimbursements, the revenue impact of the individual insurance mandate is not fully known yet. If the mandate lags decreases in revenue, hospitals will be at risk. However, the financial gains associated with more individuals having paid coverage (thus reducing uncompensated care), then decreases in supplemental payments may be offset.

The state has already initiated changes which impact UH. To curb the rising costs of Medicaid in New Mexico, the program has instituted two changes which impact UH finances. First, Medicaid is aligning payment methodology and rates with Medicare for outpatient hospital services. Medicaid historically has paid in excess of Medicare for certain outpatient services and through Medicaid fee for service far in excess of costs. For example, Medicaid managed care would pay 77 percent of billed charges, even though hospital costs were reported at 38 percent. UH projects these changes will result in a \$20 million decrease in reimbursement. This impacted both fee for service and managed care reimbursement. Second, the State Coverage Insurance program has stopped new enrollments. UH provided a \$12 million intergovernmental transfer for FY11 to ensure continued reimbursement for existing enrollment. From FY08 through FY10, UH was reimbursed approximately \$107 million for services provided to State Coverage Insurance patients. Enrollment in the UH State Coverage Insurance program has dropped from a high of over 12,000 patients in October 2009 to less than 9,200 patients in June 2011. UH receives a fixed fee per person per month, called a sub-capitation, to cover the costs of services.

Major changes in the reimbursement and care delivery processes with pending regulations and implementation timelines which are not predictable will increase the obligation of governing boards to monitor the quality of services and viability of the health systems.

UH is a high performance organization demonstrated by the management of the strategic objectives and the monitoring of performance outcomes. With the role state and local governments play in the financing of UH, it is in the best interest of the hospital to share financial and quality data in a public way which is transparent, easily understood, and accessible. Presently, the information is not easily found, buried within the HSC website.

Construction of the Sandoval Regional Medical Center (SRMC) requires close monitoring to ensure it does not threaten the finances of the UNM Health System. In November of 2008, the electorate of Sandoval County passed legislation imposing a property tax levy on residents to be used as payment to hospitals for providing hospital services. Both Presbyterian Healthcare Services (PHS) and University of New Mexico (UNM) have entered into contracts to provide hospital services. The PHS facility, the Rust Medical Center, is scheduled for completion this year, with the UNM facility, Sandoval Regional Medical Center (SRMC), expected to open in June 2012.

SMRC is being built on land acquired by UNM in a land swap with State Land Office and is being leased to SRMC for one dollar per year. The SRMC site provides easier access for pueblo residents. Construction of both facilities allows for future expansions. UNM exchanged land in the east Sandia Mountains area for land in a growing and urban development corridor. The value of the Sandoval County land was \$7.8 million at the time of the swap.

The UNM facility will be a wholly-owned subsidiary of UNM, designated as a research park corporation. The University Research Park and Economic Development Act (Section 21-28-1 NMSA 1978) allows a research park corporation to function absent many of the University policies which would impede a business or service venture. A level of university control is maintained through the regent selection of the hospital's board of directors. In addition, the CEO SRMC will have dual reporting responsibility to the chancellor of UNM HSC and the administrative office for the UNM Health System.

Initial financing for the new hospital came primarily from two sources. UNM secured a Housing and Urban Development loan for \$143.4 million and University Hospital and the UNM Medical Group contributed \$33 million in cash and a letter of credit for \$13 million. University Hospital does not expect repayment for its donation, but anticipates opening of the new hospital will benefit UH by increasing capacity at the main site.

Although Moody's Investor Services ranks UNM favorably, the group does offer caution regarding the new hospital. The July 13, 2010 Moody rating update affirmed the UNM financial outlook as stable but did state, "We believe that the presence of new facilities from both systems, expected to be completed relatively within the same time period, will make it difficult for either system to make its new facility profitable in the short-term. Given the cost of the project, and independence on future population growth to be successful, we believe there is considerable operating risk in the short-term. We note that voter approval is required every eight years for the mill levy, which adds another risk element." Completion of the two facilities will actually occur almost one year apart, with PHS opening first.

Mill levy distributions favor UH in early years, but may change in 2014. The obligation from Sandoval County, under the current mill levy agreement, is to provide 20 percent of the total collected mill funds to SRMC for an inpatient behavioral health unit consisting of at least eight licensed beds, and a 50-50 split of the remainder between SRMC and the Presbyterian facility. SRMC's obligation to the County also includes the obligation to provide free or discounted care for medically necessary services to persons whose income level is up to 250 percent of the federal poverty guidelines. Sandoval county officials estimate \$13.8 million in annual mill levy revenues. In 2014, the agreement between SRMC and Sandoval County will change relating reimbursement to volume of inpatient days and emergency room visits. Public concern to the Sandoval County treasurer's office was raised immediately upon receipt of the first property tax bills after the mill levy vote.

Sandoval County will now have two hospitals; the impact of the increase in capacity on healthcare costs and quality is unknown. These projects will increase the supply of hospital beds in the Albuquerque-metro region. According to the Dartmouth Atlas numerous studies have, "found that higher bed supply is associated with more hospital use for conditions where outpatient care is a viable alternative" and thus increase total healthcare costs. Further, higher spending in regions is closely associated with supply capacity. For example, Medicare spends more per person in regions with more per capita hospital beds. New Mexico has historically not produced higher than average per capita spending compared to other regions, according to Dartmouth. However, this expansion and its potential impact on healthcare costs and quality raise questions regarding the state's role, if any, for the expansion of hospital capacity in addition to coordinating the expansion of healthcare labor capacity. The state does have a direct interest in the cost of healthcare as a major purchaser of services in the market.

SRMC projects their market share of admissions for FY14 at 27.5 percent. It should be noted that SRMC will not offer inpatient general or intensive care for pediatric or neonate patients, both of which have a high incidence of financial sponsorship. Based upon the demographics of the community, joint replacement will be a prominent service at SRMC, with a focus placed on bariatric services in future years. SMRC has plans to apply for Level III Trauma Center designation.

The agreement with Presbyterian Health Plan does require they include SMRC as a plan provider for their clients. The same would hold true for UNM if they should develop a health plan in future years.

UNM HSC does project financial losses in at least the first two years of operation. The UNM Data Book states total uncompensated care for services to Sandoval County residents in FY10 at \$11.7 million with costs of care at \$5.9 million. Unlike UH, the new hospital will not meet eligibility requirements for Medicaid supplemental payments: disproportionate share, upper payment limit, or graduate medical education funding.

RECOMMENDATIONS

UNM HSC Board of Directors and UH Board of Trustees should continue close monitoring of the financial status of the UNM Health System to ensure changes in operations are true to the institutional mission, will foster positive growth, and are in sync with other successful medical centers.

UNM Health System should:

- Share strategic plans for mitigation of the impact of changes in health care financing with the LFC. As the UNM Health System is the largest safety net facility in the state and the primary teaching facility for UNM HSC training programs, this information is important to policymakers.
- Collaborate with UNM HSC to ensure all relevant financial data relating to UNM HSC RPSPs are shared with HED.
- Improve the public accessibility of UH financial and quality data.



Charles Sallee
Deputy Director for Program Evaluation
Legislative Finance Committee
325 Don Gaspar
Suite 101
Santa Fe, NM 87501

August 15, 2011

RE: Response to Health Sciences Center Finances and Outcomes Program Evaluation

Dear Mr. Sallee:

Thank you for the opportunity to directly respond to the Committee regarding the report prepared by the Program Evaluation Team. We appreciate the time and effort taken by the team to gain a better understanding of the unique and critical clinical, research, and educational roles the UNM Health Sciences Center (HSC) plays in the lives of all New Mexicans. One of our essential efforts is in continuous quality improvement and it is with this perspective that we are assessing this report. The timing of this evaluation is valuable as HSC leadership works to develop a fully integrated healthcare organization that unifies academic, clinical, and research components to ensure strategic objectives are aligned and optimize the use of resources derived from our clinical services and state support. As the state's sole academic medical center we have an obligation to maintain the quality of patient care, ensure patient safety, and train the next generation of medical professionals while adhering to the highest principles of professionalism.

Impact of HSC on the State of New Mexico: Patient Care and Economic Development. The academic programs within HSC include over 1,000 faculty consisting of research scientists, physicians, nurses, pharmacists, and other healthcare professionals who not only provide direct hands-on patient care and engage in nationally recognized research, but also educate over 1,800 students in our School of Medicine, College of Nursing, and College of Pharmacy. HSC engages in over 525 activities in 155 New Mexico communities. The newly created UNM Health System within the HSC is an integration of our six hospitals, the UNM Medical Group, a National Cancer Institute (NCI) designated Cancer Center, 29 off-site clinics, 55 internal clinics, as well as the clinical programs administered through the School of Medicine, College of Nursing, and College of Pharmacy and employs more than 5,500 people. In FY2010 UNM Hospitals alone accounted for 416,317 outpatient clinic visits; 3,581,650 ancillary visits; 105,504 emergency room, trauma, and observation visits. The UNM Cancer Center logged 137,410 clinic encounters. And the OMI performed 2,056 autopsies and investigated more than 5,000 deaths.

As a safety net for the State of New Mexico we treat both insured and uninsured patients from all counties within our state; in FY 2010 we incurred almost \$180 million in uncompensated care costs. This included \$140 million in uncompensated care costs for Bernalillo County residents. In this same year we received approximately \$90 million from the Bernalillo County Mil Levy. The State's investment in UNM HSC produces economic benefit, as well as critical health care and education services. Per the "UNM BBER 2010 Economic Impact Study," the

components of HSC bring greater than \$1 billion of outside income to the state, \$347 million in support of salaries and benefits, and \$782 million to fund building projects and purchase equipment and supplies.

HSC agrees with all of the recommendations in the Evaluation pertaining to UNM and HSC. However, since the report is a matter of public record, I am compelled to underscore some of the positive aspects of the Evaluation as well as to state that HSC's understanding of the facts in some instances diverge from those expressed in the Evaluation. Over the next few months we will provide a rigorous detailed response to the numerous statements of facts with which we disagree and develop a detailed implementation plan that provides for courses of action pertaining to the Evaluation's recommendations that reflect best practices for academic health centers and optimize HSC's ability to fulfill its missions and health care commitment to the citizens of the State of New Mexico.

The UNM Health Sciences Center is a complex organization that balances many opportunities and risks. The discussion of RSPs pointed to HSC's positive reserves. It is the leadership and fiscal management at HSC that resulted in these reserves, which were accumulated over many years in anticipation for its planned growth, such as the Sandoval Regional Medical Center. The healthcare industry has been a rapidly changing one for many years and with health reform the speed of change is increasing in transformational ways. Having adequate reserves that may be used to allow HSC to adapt to these changes is critical. Additionally, these reserves are integral to the UNM Consolidated Statement of Net Assets and contribute greatly to maintaining compliance with bond covenants and preserving UNM's bond rating for \$622 million of bond indebtedness. Of equal importance is the need to maintain sufficient reserves for emergencies and strategic initiatives such as our recent designation as Clinical Translational Science Center (CTSC.)

The NIH has identified the need to speed the movement of clinical research findings into the everyday practice of health care delivery. The Clinical and Translational Science Awards (CTSA) program supports a national consortium of 60 medical research institutions in 30 states and the District of Columbia to meet this need.

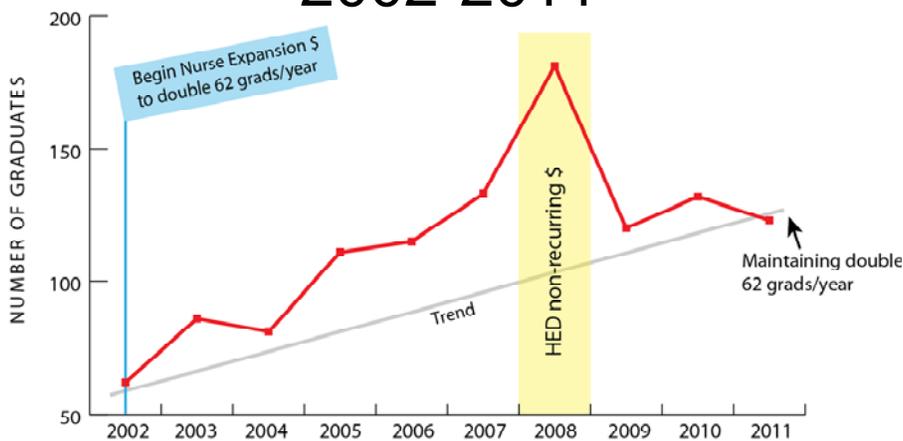
Accountability for investments in the education of healthcare professionals is important and will continue and be enhanced wherever possible. However, the notion that a full determination of the cost of teaching future doctors can be easily achieved is incorrect. For at least two decades there have been national efforts to determine these costs without success. The way HSC and other academic health centers teach medical students differs considerably from how engineers, accountants, and other students are taught. Medical students are taught while taking care of patients and must be exposed to every subspecialty with a sufficient number of patient contacts to receive the quality education accrediting bodies demand and New Mexico citizens deserve. UNM Hospital is a quaternary teaching hospital in which faculty of the School of Medicine serve as members of the medical staff while also serving as educators and role models for medical students. For example, in the emergency room there will be licensed doctors, nurses, and healthcare technicians as well as medical and nursing students. This type of integrated learning makes it quite difficult to determine what portion of activity costs are attributed to patient care and what portion are attributed to learning. In addition, accrediting bodies require that medical students be involved in research, creating a similar problem in allocating costs between research and education. As stated above, there is still no accepted method of determining the cost of educating medical students. However, we will continue to follow the progress of Florida and national organizations as they continue to work to develop accurate models for determining the true cost of educating medical students.

In accountability and faculty effort, the School of Medicine has been one of the forerunners in the country to develop a performance-based compensation strategy based on metrics and mission. Although there are clear weaknesses in the method of self-reporting, it is the model used nationally. Using this national methodology allows us to benchmark our faculty performance with other institutions providing valuable comparisons. It is important that HSC retain metrics such as contact hours and faculty activity databases in accordance with accreditation requirements and to ensure that any new metrics also comply. Outcome measurements and performance metrics are critical to achievement of HSC strategic goals and objectives.

Investment in BA/MD Degree Program. The Evaluation assessment of the BA/MD Degree Program correctly noted that this “program is a long-term investment.” However, the Evaluation incorrectly noted that HSC’s program was not unique. While there are at least thirty other medical schools with combined BA/MD programs, ours is the only one with a mission specifically designed to meet the needs of New Mexico by providing doctors to rural and medically underserved communities. One of the program’s distinct hallmarks is an admission process which recruits a diverse cohort of students each year from these same communities. The program has been successful in its original design with preferential admissions to students from these communities. An additional benefit of the program is the resulting 33% increase in the total size of the medical class, which is being done for the modest investment in the School of Medicine of approximately \$2 million annually. With an 84% retention rate, 2/3 of students from under-represented populations, and 2/3 of students from medically underserved areas, this program is on track to achieve its objective. It is innovative, forward-thinking programs like the HSC BA/MD Degree Program that will help New Mexico provide quality health care for all of its citizens.

Nursing Education and Degree Production. The review of the College of Nursing (CON) confirmed the need for stabilized funding to achieve long-term increases in the number of nursing graduates. However, the statement that degree production has decreased is incorrect. The Evaluation uses an outlier year (AY 07-08) as a baseline for its conclusions which utilized non-recurring funds to establish programs that were unsustainable when those funds ceased. A more appropriate analysis should begin with the initial funding (AY’02) from the state to expand the CON class size. Since that time, the CON has doubled the number of first-time licensee graduates and shows a significant positive trend as illustrated in the table below. We are however, concerned with the impact of recent years of state cuts and the resultant impact on our graduate numbers. The table below also illustrates the impact of non-recurring funding on the sustainability of programs. Under new leadership, the College of Nursing has stabilized funding models, including use of a tuition differential; continued the growth trend of the last ten years; and added innovative programs such as the New Mexico Nursing Education Consortium. The State’s investment in the College of Nursing adds considerable value to health care in New Mexico.

UNM CON 1st License – BSN Graduates 2002-2011



Research and Public Service Projects (RPSPs). The Evaluation includes valuable information and insightful recommendations concerning research and public service projects (RPSPs). For projects that are similar in nature to a state-agency, such as OMI, it is important that the state provide an operating budget that enables the program to be sustainable over the long-term and capable of delivering on its state-wide mission. HSC would further recommend that separate budget hearings be held for these types of RPSPs. For all other RPSPs the current trend of folding the funding into HSC's Instruction and General allocation provides the flexibility necessary to allow programs to adapt as needs change. We look forward to working with the HED to develop an integrated financial reporting format that includes performance measures that inform the HED and the Legislature on the use of funding and the value provided by RPSPs.

Strategic Planning and Risk Assessment. The value of strategic planning and risk assessment were accurately identified in the Evaluation as critical to "ensuring changes in operations are true to the institutional mission." The value of strategic planning and risk assessment is maximized when they take place at the enterprise level to strike an optimal balance between growth and related risks, and efficiently and effectively deploy resources in pursuit of the organization's objectives. The recent reorganization of HSC was designed and implemented to provide for a highly integrated and aligned organization and to maintain balance between HSC's educational, research, and clinical missions. It is critical that recommendations on funding recognize the need for an enterprise-wide approach to planning, decision making, and risk response.

As part of this integrated approach and to prepare for these changes, HSC appointed several groups charged with assessing the UNM Health System's readiness and to recommend future strategies to meet healthcare reform requirements. These groups have an enterprise-wide focus on the types of issues raised in the Evaluation pertaining to the Sandoval Regional Medical Center. They will be developing a risk sharing payment model that will allow the UNM Health System to manage populations of patients in a coordinated system of care; establishing methods to measure, manage, and improve costs for a given patient population within the context of a quality environment; determining optimum ways to affiliate with community providers and shepherding UNM practitioners' shift to risk-based quality management of defined populations.

Conclusion. Please accept this as a brief overview of our response to the Program Evaluation. As I have stated above, over the next few months HSC will provide a more rigorous review of all the facts stated in the Program Evaluation and clarify those facts on which we disagree. In addition, we will provide a detailed implementation plan in response to the Evaluation's recommendations.

The various components of HSC have been rapidly changing and growing and will continue to grow due to the increasing population and our expanding duties to the people of the state. As the Evaluation accurately reports, the New Mexico Legislature provides valuable financial support for the HSC mission. We are appreciative of such support and are committed to working with the HED and the Legislature to help ensure the health care needs of New Mexico are met and that transparency and accountability methods are in place to provide assurance to New Mexicans that their investment in the UNM Health Sciences Center is wisely managed.

Sincerely,



Paul Roth, MD, MS, FACEP
Chancellor for Health Sciences
Dean, School of Medicine

cc: UNM Regents
David J. Schmidly, UNM President

NEW MEXICO HIGHER EDUCATION DEPARTMENT



August 15, 2011

David Abbey, Director
Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

Dear Mr. Abbey:

We thank you for the Legislative Finance Committee program evaluation report issued on the UNM Health Sciences Center. Our focus in this response will be on the areas in which the New Mexico Higher Education Department (NMHED) is mentioned.

As you are well aware, NMHED (and the Commission on Higher Education prior) has had significant issues in the past fulfilling its statutory responsibilities due to adequacy of staffing. NMHED acknowledges that the Research and Public Service Project (RPSP) function was not fully implemented since its inception in 2008. One position has not been staffed since 2010. The other position, which is the Institutional Auditor function was funded in 2007 and staffed in 2008 is primarily responsible for fiscal oversight and has assisted with institutional budgets and other projects due to staffing limits within the Institutional Finance and Capital Projects Division. This function was also to supervise the RPSP function, which never materialized.

To address the staffing issues we have done major reorganization of the department, which most actions are pending. We currently have 58% staffing meaning 42% of positions are vacant. Our hope is to have most of those vacant positions filled within the next three months. When the current positions are filled we expect we can meet our statutory responsibilities.

The agency concurs with the recommendations for NMHED and will institute the following activities to address the report:

1. A request to split the quarterly financial reports for UNM and UNM-HSC will be initiated for the next reporting period due November 2011.
2. NMHED will continue to request and review new and expansion requests for RPSP's along with performance reports on an annual basis. This will include annual hearings as required by statute.
3. NMHED staff in particular has met annually with representatives of UNM-HSC to discuss and review their data collection processes and received input on relevant performance measures and targets.

4. Recurring RPSP performance reports are received annually, however staffing limitations have hindered their review and risk ranking for further evaluation.
5. NMHED expects to comply with the statutory requirement of a four year rotation for RPSP evaluations once vacant positions are filled.

We look forward to meeting our statutory responsibilities and working closely with the LFC and UNM-HSC to ensure efficiency and effectiveness of current and future funding.

Respectfully submitted,

A handwritten signature in black ink, reading "José Z. García". The signature is written in a cursive style with a large initial "J" and a stylized "G".

Dr. José Z. Garcia
Secretary of Higher Education

APPENDIX A: HSC Board of Directors and UH Board of Trustees

UNM Health Sciences Center Board of Directors

Carolyn J. Abeita, Chair
Don L. Chalmers, Vice Chair
John M Eaves
Jerry D. Geist
Lieutenant Gerald Bradley C. Hosmer, USAF (Retired)
Ann Rhoades
Ronald James Solimon

University Hospital Board of Trustees

Jerry Geist, Chair
Michael Olguin, Vice Chair
William Lang, Secretary
Roxanne Bly
Michelle Coons
Elizabeth Joyce Naseyowma-Chalan
Tara Ford
Dr. Warren Laskey
Maria Griego-Raby

APPENDIX B: NM Department of Health Public Health Regions

New Mexico Department of Health Public Health Regions

Northwest	Northeast	Central	Southeast	Southwest
Cibola	Colfax	Bernalillo	Chaves	Catron
McKinley	Guadalupe		Curry	Doña Ana
Sandoval	Los Alamos		De Baca	Grant
San Juan	Mora		Eddy	Hidalgo
Valencia	Rio Arriba		Harding	Lincoln
	San Miguel		Lea	Luna
	Santa Fe		Quay	Otero
	Taos		Roosevelt	Sierra
	Union			Socorro
				Torrance

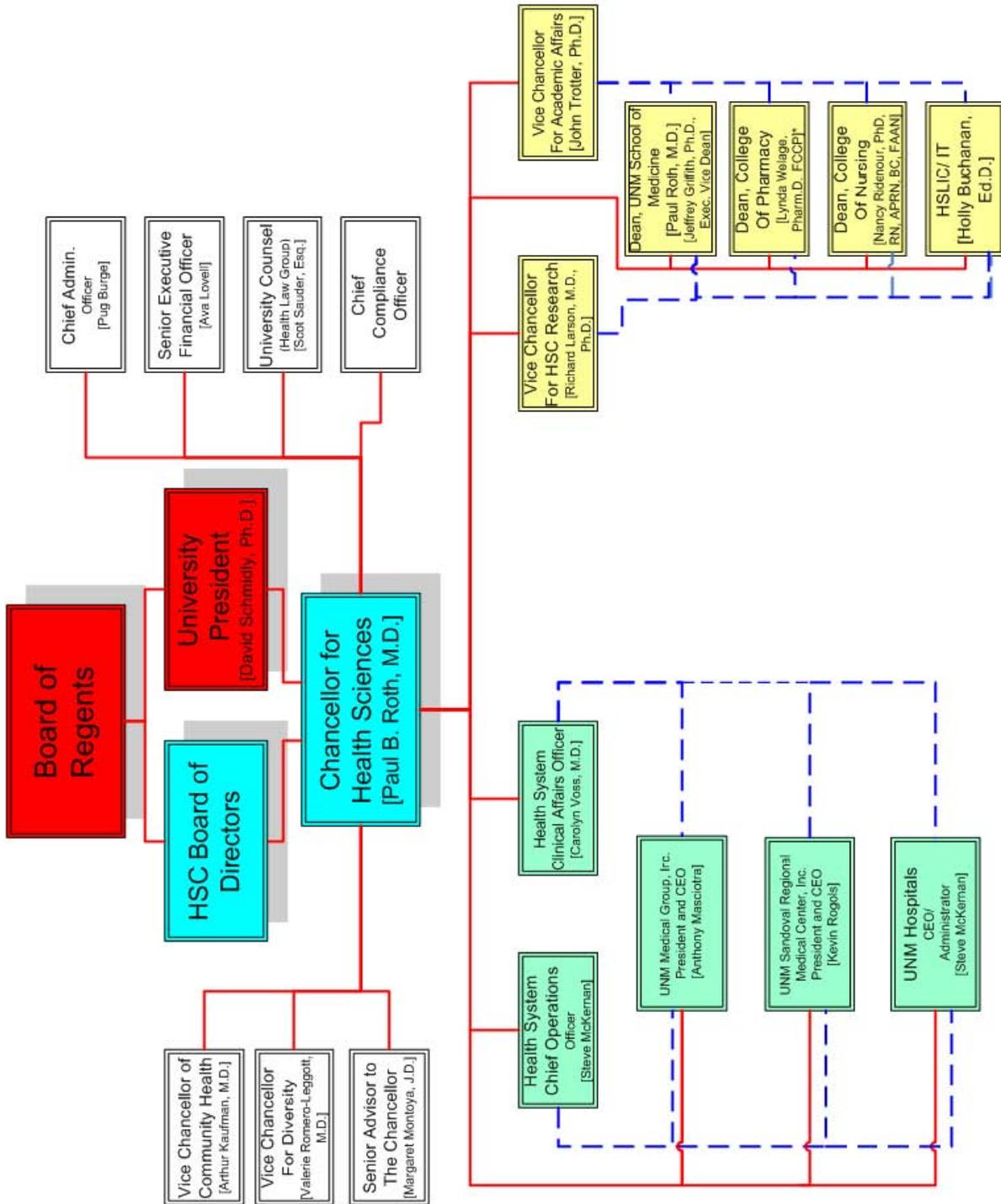
APPENDIX C: FY10 Uncompensated and Compensated Care Costs by County

FY10 Uncompensated and Compensated Care Costs by County (in thousands)

County	Uncompensated	Compensated	Total
Catron	\$101.0	\$1,279.0	\$1,380.0
Chaves	\$1,690.6	\$13,789.3	\$15,479.9
Cibola	\$1,784.9	\$9,242.6	\$11,027.5
Colfax	\$339.1	\$2,579.6	\$2,918.7
Curry	\$356.4	\$2,248.8	\$2,605.2
De Baca	\$43.3	\$201.6	\$244.9
Dona Ana	\$1,541.7	\$13,657.2	\$15,198.9
Eddy	\$388.9	\$4,745.7	\$5,134.6
Grant	\$197.0	\$3,848.7	\$4,045.7
Guadalupe	\$131.1	\$1,692.8	\$1,823.9
Harding	\$13.0	\$72.0	\$85.0
Hidalgo	\$36.7	\$274.8	\$311.5
Lea	\$377.6	\$2,068.7	\$2,446.3
Lincoln	\$195.0	\$2,423.5	\$2,618.5
Los Alamos	\$157.1	\$2,927.1	\$3,084.2
Luna	\$322.2	\$2,652.4	\$2,974.6
McKinley	\$2,208.2	\$24,436.2	\$26,644.4
Mora	\$192.2	\$1,229.6	\$1,421.8
Otero	\$462.7	\$8,720.6	\$9,183.3
Quay	\$143.8	\$1,478.2	\$1,622.0
Rio Arriba	\$682.0	\$10,034.8	\$10,716.8
Roosevelt	\$101.7	\$803.4	\$905.1
San Juan	\$1,619.0	\$21,649.2	\$23,268.2
San Miguel	\$464.9	\$7,059.0	\$7,523.9
Sandoval	\$5,932.1	\$48,060.9	\$53,993.0
Santa Fe	\$2,628.2	\$27,376.8	\$30,005.0
Sierra	\$403.3	\$3,332.3	\$3,735.6
Socorro	\$1,247.2	\$4,786.9	\$6,034.1
Taos	\$1,172.7	\$7,547.7	\$8,720.4
Torrance	\$1,705.8	\$6,851.0	\$8,556.8
Union	\$88.5	\$289.8	\$378.3
Valencia	\$8,126.5	\$37,747.5	\$45,874.0
Total	\$34,854.4	\$275,107.1	\$309,962.1

Source: UNM Health Sciences Center

APPENDIX D: UNM Health Sciences Center Organization Chart



* Don Godwin, Pharm.D. currently serves as the Interim Dean until such time as Dr. Welage arrives in the fall.

APPENDIX F: Accrediting and Certification Agencies for HSC

Accrediting and Certification Agencies for HSC

Nursing	<ul style="list-style-type: none"> • New Mexico State Board of Nursing • Commission on Collegiate Nursing Education • American College of Nurse Midwives
Pharmacy	<ul style="list-style-type: none"> • Accreditation Council on Pharmacy Education • American Association of Poison Control Centers
Diagnostic and Therapeutic Sciences	8 Certification Agencies (one for each program)
Cancer Center	<ul style="list-style-type: none"> • The National Cancer Institute • The American Society of Clinical Oncology • Quality Oncology Practice Initiative Certification • The American College of Surgeon • NCI Centers of Quantitative Imaging Excellence Program • State of New Mexico Department of Health
School of Medicine	<ul style="list-style-type: none"> • Accreditation Council for Graduate Medical Education. The SOM is accredited, as each of 50+ residency and fellowship programs. • Liaison Committee on Medical Education • American Dental Education Association • AACME (continuing medical education) • Accreditation Review Commission on Education for the Physician Assistant • Biomedical Graduate Education Accreditation
University Hospital	<ul style="list-style-type: none"> • Centers for Medicare and Medicaid • The Joint Commission • American College of Surgeons for Trauma • American Association of Nursing Colleges for Nursing Pathways • CYFD for Children Psychiatric Hospital • CAAMS for Lifeguard Fixed Wing • ACGME for Graduate Medical Education • LCME for Undergraduate Medical Education • CMS Transplant Certification (Adult Kidney) • American Society of Gastrointestinal Endoscopy Certification • College of American Pathologists Laboratory Certification • CMS Clinical Laboratory Improvement Amendments Certificate of Accreditation • American College of Surgeons Commission on Cancer Accreditation • American Board for Certification in Orthotics, Prosthetics & Pedorthics, Orthotic, Prosthetic, and Ancillary Assistive Device Accreditation • Certificate of Accreditation from the Commission on Collegiate Nursing Education for the Post-Baccalaureate Nurse Residency Program

APPENDIX G: UNM Health Sciences Center Recognition

UNM School of Medicine

2011 Spencer Forman Award issued by the Association of American Colleges recognizing medical schools for identifying community service as an important element in the academic mission and demonstrate social responsibility.

U.S. News & World Report- 2011- Ranking of Graduate Programs

- SOM Rural Medicine Program (no. 2)
- Family Medicine Program (no. 8)

American Academy of Family Physicians - 2011

Ranked UNM SOM 3rd in nation for number of SOM graduates entering family practice residency programs.

College of Nursing

U.S. News & World Report- 2011- Ranking of Graduate Programs

- UNM CON Midwifery Program (no. 5)

October 2008, the American Association of Colleges of Nursing Innovations in Professional Nursing Education Award for its online educational program.

UNM Cancer Center

Designation of UNM Cancer Center, one of only 66 programs designated in the country. National Cancer Institute designated Cancer Centers are recognized for their scientific excellence.

University Hospitals

American Hospital Association award to top 100 most technologically advanced hospitals in nation (Ninth straight year).

Working Mother 2011 award as one of best companies for hourly workers.

Pathway to Excellence Designation from American Nurse Credentialing Center. One of 75 hospitals recognized as a positive work environment where nurses can flourish, and recognizes the professional satisfaction of an institution's nurses.

2011 Top 125 organizations which excel at employee development, awarded by Training Magazine.

Best Hospital in Region 1 and 3 for administration of Hepatitis B vaccine to newborns issued by New Mexico Department of Health.