Dean's Newsletter
January 10, 2011

Table of Contents

A Challenging But Still Hopeful New Year

The December issue of *Academic Medicine* (see: http://journals.lww.com/academicmedicine/toc/2010/12000) featured a series of articles on the twice-failed merger(s) of Mount Sinai and New York University Medical Schools and Medical Centers. It's a story that evokes many memories for us at Stanford, of course, because of the attempt in the mid-1990s to merge our clinical programs with those of the University of California, San Francisco. This too turned out to be a failed experiment. Years later all four medical schools (those in New York and in northern California)– and their associated academic medical centers – are thriving despite the financial and related damage that took place to each during the merger and demerger processes. Many of you will remember with various degrees of emotion the days during and following the UCSF-Stanford merger. I arrived during the final stages of the un-wind and recall vividly the damaged morale, unclear direction and significant financial losses I found, especially at Stanford Hospital & Clinics (SHC). Now, nearly a decade later, thanks to the work and efforts of many of you, the situation is dramatically changed. Stanford Medicine is robust and thriving across its multiple missions and by every metric is among the very best of research-intensive schools of medicine.

However, resting on past (even recent) success is not compatible with the rapidly changing dynamics impacting higher education in general and medical schools and academic medical centers more specifically. During the past decade many of our peers grew in size and scope of their faculty and facilities, both in research and clinical medicine. The overall size of NIH funding, faculty numbers, or clinical volumes (especially for high-end inpatient procedure-based services) also became surrogates for success at many institutions – a strategy that is increasingly problematic. Indeed, the flaws in this strategy began to surface with the economic meltdown that began in 2008, which affected endowment investments along with state and federal financial resources. We are all cognizant of the efforts to reverse the economic downturn but are also painfully aware of its lingering consequences, which are now being played out on the big Washington stage.

For instance, we are currently witnessing the emerging debates on the debt ceiling and on flat funding or potential roll-backs of federal funding to both discretionary

programs (which includes agencies like the NIH) and entitlement programs, with major concerns about Medicare and Medicaid). Despite the rhetoric of attempts to repeal the Affordable Care Act of 2010, the likelihood of this happening in any significant manner is small, but clarity about what reforms will actually take place and when will clearly be even more political than the repeal effort (if that is possible). The report in the *New York Times* on January 5th (http://www.nytimes.com/2011/01/05/health/policy/05health.html?scp=1&sq=medicare%20planning&st=cse) that the Obama Administration will delete the requirement for end-of-life counseling during an annual visit of Medicare recipients is one example – and an unfortunate one at that, since anticipatory planning about "advanced directives" is good medicine and something that should be encouraged – not for financial reasons but because it is good medicine.

On Friday, January 7th Marcia Cohen, Senior Associate Dean for Finance and Administration, presented the annual report on the financial status of the School of Medicine. I would like to begin by thanking Marcia and her team led by Sam Zelch, Chief Financial Officer and Assistant Dean for Fiscal Affairs, along with the finance group, for the work they did in preparing the current analysis and, more importantly, for the contributions they have made during the tumultuous years since the financial meltdown in 2008.

I am quite aware that a number of the decisions we felt compelled to make were not popular and several were poorly received at the time. But the reality is that they helped to stabilize a deteriorating financial situation. More importantly, even with the major projects we have undertaken in the past years, the financial state of the School of Medicine is quite sound and is likely among the best in the nation. Given the major challenges that lie ahead, this is extremely important. Put another way, the pain and distress of the past years – and even the discord that erupted from time to time – were, in hindsight, part of a larger process of recovery that has brought us to a very positive current state. I will give just a few highlights, starting with the proverbial bottom line: the School of Medicine's consolidated revenue exceeded expenses for FY10 (the year that closed on August 31, 2010) by $46 million. This is an improvement over the consolidated performance for FY09 ($34 million) as well as the FY11 budget (projected as $35 million).

These results reflect the impact of expense reductions as well as increases in revenues. The expense reduction related primarily to the cost controls and programmatic reductions that were made during the past two years, particularly in the School's central administrative offices. Coupled with these reductions have been important revenue gains in both sponsored research and clinical activity. Notably, total research expenditures (direct and indirect) increased from $385 million in FY09 to $455 million in FY10 – an 18% increase. Importantly, the increase in sponsored research in FY10 was 7.9% without ARRA (American Reinvestment and Recovery Act) funding, which is truly remarkable and is a great tribute to the excellence of our faculty. In addition, clinical activity and payments have also increased during the past several years. In fact, between FY05 and FY10 the net clinical operating revenues increased by an average of 11% per year,

permitting every clinical department to have net positive contribution from clinical operations in FY 2010.

In addition to clinical and research activity, endowment and expendable reserve balances have shown signs of recovery since 2008 – despite the overall economic challenges in the nation. This is also a reflection of the knowledge and skills of the Stanford Management Company, among others. For example, as of August 31, 2010 the consolidated endowment of the School of Medicine increased by 11% to $1.856 billion. However, this is still below the FY08 pre-crash endowment value of $2.277 billion. Of course, most of the endowment is restricted and proportionally distributed among the school's central units (40%), student aid (11%), departments or divisions (21%) and faculty or principal investigator (24%). Concurrently, the consolidated expendable reserves for the medical school in FY10 was $522.8 million, of which $41% are in departments, divisions or programs and another 22% with faculty or PIs. For FY10, 31% of the expendable reserves were held centrally.

Certainly the results described for FY10 are highly encouraging, and they will permit us to weather the storm clouds ahead. But those storm clouds loom large and potentially damaging. They include the almost certain reductions in federal support for sponsored research, the potential decreases in stem cell research funding by FY17 unless Proposition 71 is renewed, the impact of the economic downturn on state economic support – which is truly serious in California– and the pending changes in clinical revenues to physicians and hospitals as a consequence of the rapidly changing healthcare landscape. As I noted in the December 13, 2010 *Dean's Newsletter*, "By being proactive and finding ways to shape the future of academic medicine, rather than just reacting to the financial, programmatic and policy changes that now abound, we have an opportunity to lead rather than follow".

Given the important challenges that lie ahead across all of our critical missions, I want to share some of the strategic initiatives underway that will hopefully mitigate or help remedy some of these important issues. Rather than narrative details I will simply offer more of a "table of contents" formulation – recognizing the numerous uncertainties that exist. This is not meant to be an inclusive or exhaustive list, and it is likely that a number of additional areas will need to be explored – and some of the paths we have taken may need to be altered or redirected. I recognize that some of these comments are straightforward and fully recognized, that many refer to programs underway and that some will be viewed as controversial or negative.

1. ***Responses and Reactions to the Impact of Healthcare Finance and Reform***
    - Continued attention on the critical factors that will differentiate Stanford Medicine from other healthcare providers and systems. These represent our fundamental underpinnings and opportunities for distinction, and we must achieve outstanding and sustained performance in each one. These areas have been reviewed in past Newsletters and include:
        - Leadership in innovation and discovery
        - Availability and accessibility to outstanding medical providers

        - Superiority in clinical quality and safety
        - Outstanding patient service experience
        - Defined evidence of cost benefit and a value proposition

- Joint planning on how Stanford Medicine will assess and address the changes unfolding in clinical medicine as a consequence of healthcare reform and the changing medical marketplace. A new committee engaging hospital and school leaders has recently been established for this purpose.
- Preparation for the shift of clinical reimbursements from volume and RVUs to measures of quality, safety and service. A component of this is the likely (and in my opinion welcome) shift from the perverse incentives that have been tied to the still current fee-for-service reimbursement system. That said, these changes will have considerable impact on hospital and physician revenues over time.
- More balanced focus on the delivery of care in ambulatory, community and home settings. These efforts should be advanced in time by the new Clinical Effectiveness Research Center, which is jointly supported by the School of Medicine and SHC.
- Preparation for decreased support for Graduate Medical Education through Medicare – which will likely lead to lower payments as well as a shift toward ambulatory training in place of the current high level of inpatient service and education. This has important implications for the physician workforce as well as the cost and provider models for inpatient care.
    - Another important issue impacting resident service is the new work hour limits that will become even more restrictive in 2011-2012 and that will require additional accommodations by clinical departments and service lines.
- A critical appraisal of our primary care services (including areas like geriatric care) and an assessment by clinical department leaders of the breadth and depth of their clinical services.
- Development of improved community programs and networks through regional collaborations and interactions that are departmental or clinical service line based or that are aligned through the newly established University Heath Associates (whose governing Members are the School of Medicine, SHC and LPCH).
- Preparedness to develop an Accountable Care Organization (ACO). The organization and design of this new entity will be announced in the coming month, and it will be established in 2012. This will require risk-based management of populations of patients.
- A critical assessment of current or planned investments in facilities as well as programs. This needs to be done across the Medical Center, and it needs to include a reassessment of the assumptions that have guided projections in inpatient bed-capacity, numbers of faculty and clinical providers and our constant efforts to balance and preserve our excellence in research and education as well as in the delivery of patient care.

- Continued attention to the integrated strategic planning underway with the Medical School, SHC and LPCH. At this point the integrated plan on cardiovascular services is close to completion, and the joint planning efforts in cancer care are commencing, with those for neuroscience to follow this spring.
- Investment in clinical leaders and faculty. This includes the recruitment of clinical faculty and department chairs (four searches are currently underway). In tandem we need to continue our efforts in faculty and leadership development across the medical center.
- Exploration of ways of making the work environment more successful through novel work arrangements that permit greater flexibility while not compromising career development.

2. ***Responses and Possible Remedies to Impact of Flat or Declining Support for Biomedical Research***. This will be an area of focused discussion at the School of Medicine Strategic Leadership Retreat on January 21-22, and updates of those discussion will be included in future Newsletters. As noted above and in other presentations, it is increasingly clear that funding from the NIH will almost certainly be flat for the next years – meaning that there will be a loss of purchasing power as well as increased competition for grants.
    - Certainly among our highest priorities must be support for current faculty including:
        - Raising gifts for professorships for senior faculty and research support for junior faculty.
        - Diversifying where possible the sources of research funding (e.g., foundations and industry) in addition to continuing to seek traditional sponsored research funding.
        - Continuing the bridge fund program (in conjunction with basic and clinical departments) to support faculty who encounter acute or unexpected funding shortfalls where recovery of funding is anticipated.
        - Assuring that recruitment of research faculty continues to focus on the highest quality and potential for future success and that we are able to support new faculty as they begin the careers or transition to Stanford.
    - Optimizing the utilization of research space; this may require more shared space configurations (as has been long done in the Department of Biochemistry) along with careful examination of the size of a PI's research group (including graduate students and postdocs) based on current and projected funding.
    - Optimizing the balance between on-campus versus off-campus space based on the type of research being conducted and the availability of space for lease.
    - At the same time we still have to address critical on-site research needs that include the planning for the Foundations in Medicine building (FIM)

and the Bioengineering Building as well as on-campus and off-campus animal space.
    - Critical reappraisal of the research cores including their location, management and funding models.

3. ***Thoughts About the Changing Environment and Education and Training***. The future of medical and graduate student and postdoctoral training will also be a major focus at the Strategic Leadership Retreat. I have outlined some of the major issues we hope to address in recent Newsletters: medical student education; graduate student education; postdoctoral training. Clearly we will need to focus on the size and scope of our education programs, the expectations (real and perceived) for our graduates and the sources of support to permit our programs to be successful. Of course, this includes the cost of education as well as the education expenses for students and for our faculty and departments. Increasingly we will want to frame these opportunities on a global basis – given the composition of our students and trainees, the areas for future opportunity and our burgeoning programs and interests in global health.

The challenges we face in the areas noted above, and many others not included in this discussion, are numerous and significant. There is no question that the next couple of years will shape Stanford Medicine for many years and even decades to come. But we can draw comfort and confidence from the positive results we have achieved to date and the very fact that we are thinking critically and proactively about the future and the shared commitment we have to be leaders in the transformation of science and medicine in the 21st century.

Faculty Mini-Grants for Teaching and Learning Technologies

The Simulation & EdTech (SET) group, part of our Information Resources and Technology Office, is again offering mini-grants to faculty of up to $2,000 for 2011 to develop, implement, and evaluate learning technologies. The applications (1-2 pages) are due on January 17, 2011. More information is on the website http://med.stanford.edu/irt/teaching/minigrants.html or contact Brian Tobin, Instructional Technology Manager, btobin@stanford.edu.

Upcoming Event

Stanford Health Policy Forum
Methamphetamine: An American Epidemic

Wednesday, January 19, 2011
11:30 AM to 1:00 PM
Paul Berg Hall, 230A
Li Ka Shing Center
291 Campus Drive, Stanford University

This Stanford Health Policy Forum will focus on the ravages of methamphetamine in the United States and how policymakers should respond to the epidemic. In a conversation with the speakers and the audience, this forum will examine methamphetamine's addictive power, its impact on individuals and communities, and how drug policy and economic policy can support the efforts of families and health professionals to reduce the terrible impacts of the drug.

A conversation with:

Nick Reding
Best-selling author of "Methland: The Death and Life of an American Small Town"

Keith Humphreys
Professor of Psychiatry and Behavioral Sciences
Stanford University
Former Senior Policy Advisor
White House Office of National Drug Control Policy
Senior Research Career Scientist
Veteran's Affairs Health Care System

Moderated by
Paul Costello
Chief Communications Officer, Office of Communication and Public Affairs,
Stanford School of Medicine

This forum is free and open to the public
Space is limited to the first 100 people

For more information, please visit HTTP://Healthpolicyforum.stanford.edu
or call 650-725-3320

Awards and Honors

- ***Julieta Gabiola***, clinical associate professor of general internal medicine, is the recipient of the American College of Physicians (ACP) Northern California Chapter's Faculty Award for Volunteerism. Presented at their recent annual meeting in San Francisco. Dr. Gabiola led a successful medical mission to Iloilo, Philippines in January 2010. This consisted of a group of 70 volunteers consisting of faculty physicians, community physicians, dentists, surgeons, and nurses from Stanford, Kaiser, Seton, and Mills Peninsula, who served a village with a population of about 60,000 people and saw 4,700 underserved patients in three days.

- ***William Kuo***, assistant professor of vascular and interventional radiology and CV/interventional fellowship director, has been awarded the 2011 Dr. Gary J. Becker Young Investigator Award by the Society of Interventional Radiology (SIR). Bestowed in honor of the founding editor of the *Journal of Vascular and Interventional Radiology (JVIR)*, this award "promotes excellence in academic research for members early in their careers" and recognizes "the importance of the young investigator in developing the interventional solutions for the future."

Appointments and Promotions

Preetha Basaviah has been reappointed as Clinical Associate Professor of Medicine, effective 2/1/2011.

Lucienne S. Bouvier has been appointed as Clinical Assistant Professor (Affiliated) of Obstetrics and Gynecology, effective 1/1/2011.

Katherine L. Brubaker has been appointed to Clinical Assistant Professor (Affiliated) of Obstetrics and Gynecology, effective 1/1/2011.

Thomas Bush has been reappointed as Clinical Professor (Affiliated) of Medicine, effective 8/1/2010.

Mina Charon has been reappointed as Clinical Assistant Professor (Affiliated) of Medicine, effective 2/1/2010.

Clifford Chin has been reappointed to Associate Professor of Pediatrics at the Lucile Salter Packard Children's Hospital, effective 1/1/2011.

Alexander Chyorny has been promoted to Clinical Assistant Professor (Affiliated) of Medicine, effective 12/1/2010.

Waldo L. Concepcion has been promoted for a continuing term as Professor of Surgery at the Stanford University Medical Center, effective 12/1/2010.

Lisa Farah-Eways has been appointed as Clinical Assistant Professor (Affiliated) of Obstetrics and Gynecology, effective 1/1/2011.

Rishad M. Faruqi has been promoted to Clinical Associate Professor (Affiliated) of Surgery, effective 12/1/2010.

Deborah Franzon has been reappointed as Clinical Assistant Professor of Pediatrics, 1/1/2011.

Ansgar Furst has been appointed as Clinical Assistant Professor (Affiliated) of Psychiatry and Behavioral Sciences, effective 2/1/2011.

Faezeh M. Ghaffari has been appointed as Clinical Assistant Professor (Affiliated) of Obstetrics and Gynecology, effective 1/1/2011.

Cheryl E. Gore-Felton has been promoted for a continuing term as Professor of Psychiatry and Behavioral Sciences at the Stanford University Medical Center, effective 12/1/2010.

Lawrence V. Hofmann has been reappointed to Associate Professor of Radiology at the Stanford University Medical Center, effective 2/1/2011.

William A. Kennedy has been reappointed to Associate Professor of Urology at the Stanford University Medical Center, effective 12/1/2010.

Quoc T.A. Luu has been reappointed as Clinical Assistant Professor of Radiation Oncology, effective 11/1/2010.

Edward R. Mariano has been appointed to Associate Professor of Anesthesia at the Veterans Affairs Palo Alto Health Care System, effective 12/1/2010.

Vibha Mohindra has been reappointed as Clinical Assistant Professor (Affiliated) of Medicine, effective 10/1/2010.

Barbara L. Nicol has been appointed as Clinical Assistant Professor (Affiliated) of Obstetrics and Gynecology, effective 1/1/2011.

Janelle Ogura has been appointed as Clinical Assistant Professor (Affiliated) of Obstetrics and Gynecology, effective 1/1/2011.

Einar Ottestad has been promoted to Clinical Assistant Professor of Anesthesia, effective 1/1/2011.

Richard J. Reimer has been appointed to Associate Professor of Neurology and Neurological Sciences and, by courtesy, of Molecular and Cellular Physiology, at the Stanford University Medical Center, effective 12/1/2010.

John P. Siegel has been appointed as Clinical Assistant Professor (Affiliated) of Surgery, effective 1/1/2011.

Connie E. **Teresi** has been reappointed as Clinical Assistant Professor (Affiliated) of Medicine, effective 4/1/2010.

Julie C. Weitlauf has been appointed as Clinical Associate Professor (Affiliated) of Psychiatry and Behavioral Sciences, effective 1/1/2011.

Marina Zelenko has been promoted to Clinical Associate Professor (Affiliated) of Psychiatry and Behavioral Sciences, effective 12/1/2010.