Provost Earl Lewis responds to budget questions during a University Senate presentation on Feb. 28, 2011:

Why do we have a University and Healthcare Human Resources? – Combining the two would save money.

This is a very important question, and one that is reconsidered periodically for a range of enterprise-wide activities. To date, there is ongoing, close collaboration between University Human Resources and Emory Healthcare Human Resources; however, there are differences in the mission and labor force so we have not concluded consolidation is currently wise. These diverse elements require different offices. Certain functions distinctive to Healthcare include compensation, training, and recruitment as they are more specific to Healthcare. Some functions are the same, and are handled by University HR, including the Faculty Staff Assistance Program, Wellness, and Benefits programs that are common across entities including benefits vendor management. Additionally, there are joint functions relating to benefits program strategies.

A more general question - how is the decision made to put something in university vs. healthcare budget and how is overlap minimized?

Emory University has an enterprise services model in which certain services including Audit, Legal Counsel, and senior University leadership are included in the institutional university budget. There are other costs more specific to Healthcare that are included within the Healthcare budget and funded via Healthcare revenues. One example of a Healthcare unit also providing University support is the Office of Risk and Insurance Services. Conscious decisions are made by University and Emory Healthcare leadership regarding where the bulk of the work resides and where there is correlating expertise. Basically we try to align revenue and expense with activities.

One of the persistent mysteries for central units like the library is how university funds are allocated. For schools and colleges, tuition and fees are charged to students, which creates an income stream (whether this income stream covers the expenses of teaching those students is a different question). However, for central units which don't have enrolled students, how is a portion of the university's budget allocated in order for the units to have a budget?

Emory operates under a RCM (Responsibility Centered Management) financial management philosophy. This philosophy focuses upon decentralization and is designed to support achievement of primary academic priorities. The budget follows priorities and aligns authority with both responsibility and accountability. Within this structure, an academic unit receives all income earned from its activities, whether it is tuition, fees, endowment, or indirect cost recovery. Each academic unit then funds its own expenses and administrative costs relating to operating the unit.

In addition, each revenue-producing unit is allocated costs and each central department has activity-based measures assigned to them that drive the distribution of costs to the units; included in this is Healthcare, Yerkes, Auxiliaries, Independent Operations and the schools. The goal here is to support those functions that are critical to the university, recognizing that we don't want them to direct charge for services. As a result, all of the schools, for example, provide differential support to the libraries, depending on the activity measures noted above.

In fact, each unit is ‘allocated costs’ to cover a portion of centrally funded activities like the libraries, facilities and grounds, Emory Police, etc. based on a calculation that is approved by the Ways and Means Committee.

How does the budget account for employee training and growth?

There are actually several ways the budget enables employee training and growth. First, each manager is responsible for providing costs associated with employee training and development within their operating plan. In addition, Human Resources is responsible for facilitating classes that provide employee training and development. There are also opportunities through Emory Continuing Education at a reasonable cost for further addressing training and costs for employees; classes offered through Continuing Education are offered at a discount for Emory employees. Finally, the fringe pool has an annual allotment that covers the number of employees and their dependents that take courses toward a degree at Emory University.

How are budget cuts determined? / How is it decided to cut programs to save costs for the university?

This is a multi-faceted process that involves leadership in the units working with university leadership to establish budget targets. Each year we set targets for growth in all administrative units; over the last decade those targets have been positive and in the range of 1-4 percent; moreover, the need for the growth was discussed with deans and agreed to, as was the case with the need to grow research administration to keep pace with research activity and development to support a campaign and a modern operation. More recently those targets have been negative, leading administrative units in the main to cut budgets.

Schools and colleges present their projected revenue and expense growth and are asked to present a balanced budget. Priorities and strategies are then developed within the unit (school, division, etc.) consistent with the RCM philosophy and these are presented in the unit’s annual budget presentation. Cuts and increases are then discussed during the annual budget hearings with Ways and Means. Vice Presidents, deans and directors are encouraged to become more efficient and streamline operations as well as carry out reorganizations as needed to achieve efficiencies. Those structural and efficiency changes may yield budget cuts. Activities are constantly measured against essentials and excellences; managers are continually looking for opportunities to eliminate activities that are neither essential nor excellent.

What is the update philosophy? How can we react more quickly to funding changes?

There are two tracks. Healthcare is constantly monitoring staff to patient ratios to ensure standard of care and to manage costs. On the University side it is more difficult to react quickly due to the structure of the business of higher education. We must be mindful of our commitment to students in the various University degree programs. These programs can be as short as one year or as long as a decade. The University would be a risk if the student experience declines during their term in our degree programs. Nonetheless, we make changes annually and plan for changes in three-year cycles.

How is it determined how much Emory Healthcare is "taxed" to give back to the university to help subsidize other university programs?

Taxed, while the colloquial way of expressing the shared commitments each unit must have to the larger university, is not the way it works entirely in our system. In fact, support from Emory Healthcare is twofold: First, they pay their appropriate share of allocated costs which are driven by the allocation methodology (based on measures of activity). Second, Healthcare provides support to and collaborates with the School of Medicine for the research and development that make it possible for Healthcare to stay at the leading edge of patient care delivery. That value, which is transferred between Healthcare and the School of Medicine, is negotiated by Woodruff Health Sciences leadership.

Is the budget formulated based on history or is their mission-based budgeting and accountability attached to budgets?

It's a combination of both. The budget is mission based with an eye toward what is excellent and what is essential; it is the intersection of visions, strategy, plans, and resources. A portion of the budget represents commitments to faculty and existing programs. Since a portion of the faculty is tenured, this investment is important for the development and sustainability of the intellectual community. The faculty is also the most critical factor in building and maintaining institutional reputation; we make long term commitments that sometimes take years to yield the full dividends. Here history is a factor.