STRATEGIC CHALLENGES

- Funding
- Economic & political challenges
- Health care reform
- Education and research
- Disruptive technology

STRATEGIC OPPORTUNITIES

- Clinical initiatives
- New models of education and research
- Biotechnology innovation
- Enhanced philanthropy

OPERATIONAL CHALLENGES

- Campus facilities
- Transportation and access
- Administrative infrastructure funding

OPERATIONAL OPPORTUNITIES

- Master Planning
- Sponsored programs and biotech transfer infrastructure enhancement
- Building Anschutz-specific infrastructure
Strategic Challenges and Opportunities
FY2013 BUDGET

Total Budget Amount: $1.2 billion

- State General Fund: $64 million (5%)
- Tuition & Fees: $73 million (6%)
- Grants and Contracts: $413 million (34%)
- Self-Funded Programs: $180 million (15%)
- Clinical Income: $494 million (40%)

Total Budget Amount: $1.2 billion
FUNDING

FY2013 BUDGET

Education Funding = 11%

- Six schools and colleges
- 3,911 degree-seeking health professional students (fall 2012)
- 1,073 degrees awarded (2012)

Total Budget Amount: $1.2 billion
STRATEGIC CHALLENGE

FUNDING

FY2013 BUDGET

University Physicians, Inc.
- 1,800 clinical faculty
- 41,305 inpatient admissions
- 1.4 million outpatient visits
- $66.4 million indigent care

Dental Clinics
- 66,000 patient visits
- $9 million in patient revenue
- $3.1 million in uncompensated/discounted care

Total Budget Amount: $1.2 billion

Clinical Income
$494 million (40%)
FY2013 BUDGET

2,000+ Awards Annually

- 1,100 Principal Investigators
- $413 million in funding
  - 66% Federal
  - 20% Associations, Foundations, others
  - 7% Industry
  - 7% State & Local Govt.

Total Budget Amount: $1.2 billion
FY2013 BUDGET

Largest Auxiliaries

- Graduate Medical Education
  - ~1,300 residents/fellows
- Hemophilia Pharmacy
- 100’s of lab services
- Continuing Medical Education (CME)
- Bookstore and parking

Total Budget Amount: $1.2 billion

Self-Funded Programs
$180 million (15%)
### Funding History

**Funding**

<table>
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<th>Year</th>
<th>State Approp</th>
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<th>Tuition &amp; Fees</th>
<th>F&amp;A</th>
<th>Other Unrestricted</th>
<th>Auxiliary</th>
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<td>15%</td>
<td>40%</td>
<td><strong>27%</strong></td>
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</table>

**Budgeted**

F&A - Facilities and Administration
CONVERGENCE OF ECONOMICS & POLITICS

ECONOMICS

- U.S. in slow recovery from prolonged recession
- Unemployment remains high (7.8%)
- Federal budget deficit unsustainable
  - $1.5 trillion 2011
  - Debt = 75% of GDP by 2014
  - Mandated costs of entitlement programs (MC, MK & SS) will continue to consume remaining oxygen in Federal budget
  - Federal discretionary spending budget projected to drop from 9.1% to 6.7% of GDP within decade
  - State discretionary spending budget projected to drop from 27% to 10%
CONVERGENCE OF ECONOMICS & POLITICS

POLITICS

- Increasing politicization and polarization
- Tea Party; push for smaller government, lower taxes
- November election and lame duck Congress

= uncertainty
CONVERGENCE OF ECONOMICS & POLITICS

THE 2012 BUDGET CLIFF

- Debt ceiling reauthorization
- Expiration of Bush-era tax cuts
- Sustainable Growth Rate (SGR)
- Alternative minimum tax
- Sequestration
CONVERGENCE OF ECONOMICS & POLITICS

SEQUESTRATION

- Passed as part of 2011 Budget Control Act
- Requires automatic, across the board, cuts to federal budget (beginning Jan. 1, 2013) with annual statutory spending caps through 2021
  - Unless Congress and President agree on budget plan
CONVERGENCE OF ECONOMICS & POLITICS

SEQUESTRATION

- 2013 = $109.4 billion mandated cuts in discretionary spending
  - $54.7B from defense (9.5% cut)
  - $54.7B from non-defense discretionary (8.4% cut)
  - 8% cut in mandatory programs other than Medicaid
    - VA benefits, Social Security, Pell Grants, etc.
  - 2% cut in Medicare provider payments
SEQUESTRATION

Impact to Academic Medical Centers

- NIH expected to lose 8.2%
  - $2.5 billion
  - ~2,300 grants
- Medicare providers = 2% cut
- DOD research = 9.5% cut
- USDA, DOE, NSF = 1,650 fewer grants
CONVERGENCE OF ECONOMICS & POLITICS

CURRENT NIH FUNDING PROFILE

- Average grant = $414k/year for 4.3 years
- ~50 institutions receive 70% grant award dollars
- ~20% of PI’s get 50% of grant award dollars
- Grant success rate has dropped from ~30% in 2003 to 20% in 2010
  » Even lower in some institutes
NIH AWARD PROPOSAL OPTIONS

1. Do nothing
   » As NIH budget declines, let success rates decline as well

2. Reduce or limit award size
   » $13.5 million ($25k per grant)

3. Limit number of awards to a single PI
   » $650,000 -- $13.2 million

4. Limit the total funds awarded to a single PI
   » $5.7 million -- $76.4 million

5. Limit PI salaries

6. What if Top 30 are only 30?
HEALTH CARE REFORM

- Ongoing pressure to reduce health care costs and premiums
- Reductions in provider reimbursement – particularly to high cost academic providers
- Commoditization of health care costs
- Growing demand for system redesign
  - Access, cost, quality, safety and outcomes
  - ACO’s, medical homes, interprofessional teams
- Further consolidation of market
- Demise of “Switzerland” strategy
HEALTH CARE REFORM

- Market imperative to integrate the clinical enterprise and affiliate with broader network of hospital and physician providers
- Integration of clinical enterprise versus disintegration of academic enterprise
Joint Operating Agreement (7/1/12)

- Only owned and operated Colorado-based health system
- Joint operating company with 2 members: University of Colorado Hospital and Poudre Valley Health System
  - Shared bottom line and board of directors
- Each system hospital continues to exist as a separate entity and controls operations at respective facilities
- Integration of central services (i.e., IT, Finance, Human Resources, Marketing, Legal)
- Bottom line: separate identities with shared values
MEMORIAL HOSPITAL LEASE (10/1/12)

- 40-year lease
- Establishes Memorial as Southern Colorado’s flagship hospital
- Creates School of Medicine branch in Colorado Springs
COLORADO HEALTH SYSTEM COMPARISON

Source: Publicly available financial statements FY09 – FY11; Bloomberg; Ingenix.
Source: AHA Directory, 2009, Public, Audited Financial Statements, Hospital websites
CLINICAL AFFILIATIONS

- University of Colorado Health System
- Joint ventures – University of Colorado Hospital / UPI
  » Boulder and South Metro Lone Tree multi specialty clinics
  » Distributed outpatient clinical network
- Joint ventures – Children’s Hospital Colorado
  » Maternal Fetal Medicine
  » Memorial Hospital lease
- Little Clinics – King Soopers
- CU self insurance and risk management trust
EDUCATION

- Declining general fund support for higher education and academic medicine
- Soaring tuition and student debt load
- Workforce shortages and pressure to increase class size
- Interprofessional education
- Emerging technology
  - Simulation, online & distance education and demand for creative redesign of course content and delivery
EDUCATION INITIATIVES

- School of Medicine: strategic planning process, UCCS branch extension
- Nursing: strategic planning process
- Public Health: new MPH programs
- Dental Medicine: Growing to Serve initiative
- Graduate School: raising visibility and awareness
- Pharmacy: moving to new team-based care delivery models and performance-based payment
RESEARCH

- Maintaining NIH research funding
- Bridge funding
- Institutional cost share and investment
  » “Pay to play”
- Diversifying research portfolio
RESEARCH OPPORTUNITIES

- Personalized medicine
  - Genomics, stem cell
- Clinical translational research
- Health outcomes & population health
- Bioinformatics
- Diversification
  - Industry & foundation collaborations
- Collaboration with other departments, schools, campuses, universities and industries
- Capitalizing on Technology Transfer
BIOTECHNOLOGY INNOVATION

TECHNOLOGY TRANSFER PERFORMANCE (2011-12)

- 117 invention disclosures
- 130 U.S. patents filed
- 14 U.S. patents issued
- 20 licenses and options
- 3 start-up companies
STAGES TO COMMERCIALIZE RESEARCH DISCOVERIES (2002-2012)

- Research
- Discovery
- Patent
- Proof of Concept

895 Invention Disclosures leading to:
- potential drugs
- Diagnostics
- devices

908 Patents filed creating “intellectual Property” (IP)

More proof required before taking product to market

CU licenses to outside IP company

Faculty Launches a Company for License IP

Valley of Death

Clinical Trials
Product Approval
Product Sales
DISRUPTIVE TECHNOLOGY

IMPACT TO HEALTH CARE, EDUCATION, RESEARCH AND COMMUNICATION

- Dramatic impacts to health care diagnosis, delivery, ownership, location
- Emerging issue in education; impacting delivery models, content, economics
- Revolutionizing communication
  - Access and dissemination of information, social media
DISRUPTIVE TECHNOLOGY

HOW DO WE MAKE OUR CORE MISSIONS MORE:

- Impactful
- Relevant
- Competitive
- Sustainable
- Affordable

...THROUGH TIMELY AND THOUGHTFUL ADOPTION OF EMERGING AND DISRUPTIVE TECHNOLOGY
The Anschutz Medical Campus requires a stronger foundation of endowment funding to sustain and grow our missions and programs.
PHILANTHROPY AND FUNDRAISING

- CU private support record
  - $43.5 million to Anschutz Medical Campus (FY2011-12)
- Creating Futures campaign – major capital campaign
- Endowed Chairs: 25 new, 73 total
- Goal: $100 million annually to the Anschutz Medical Campus within 7 years
- Comprehensive Organizational Review of CU Foundation
  - Grenzebach Glier and Associates (GG+A), philanthropic management consultants
THERE ARE MANY OTHER STRATEGIC CHALLENGES AND OPPORTUNITIES, INCLUDING:

- Our brand and identity
- How we collaborate and innovate with each other and our system partners
- Communication
- Learning to speak with a single voice
- Introduce Anschutz Campus to Colorado
Operational Challenges and Opportunities
Adequacy and configuration
- Do we have enough space?
- Is it configured properly?
- Is it allocated and used productively?
PHASE 2 EXPANSION

FACILITIES

- Children’s Hospital Colorado inpatient tower (opened October 2012)
- UCH inpatient tower (opens spring 2013)
- CHC and UCH parking structures
- Veterans Affairs Medical Center (opens spring 2015)
PHASE 2 EXPANSION

TRANSPORTATION

- I-225 & 17\textsuperscript{th} Place interchange (complete spring 2013)
- I-225 widening to Mississippi (complete summer 2014)
- Light rail
  - Work begins fall 2013
  - Expected completion: Fall 2015 (opens summer 2016)
  - 2 stops: Colfax and Montview
OPERATIONAL CHALLENGE

PHASE 2 EXPANSION

- **Children's Hospital tower opens (Sept.)**
- **UCH tower opens (March)**
- **Light rail work begins**
- **Light rail work ends; testing begins**

**2012 (July-Dec)**
- Master Plan on-site meetings (week of 9/24 & 10/29)

**2013 (Jan-June)**
- I-225 Colfax and 17th Place interchange complete (April)

**2013 (July-Dec)**
- I-225 widening to Mississippi complete (summer)

**2014 (Jan-June)**
- VA Medical Center scheduled to open (spring)

**2014 (July-Dec)**
- Light rail opens (summer)

**2015 (Jan-June)**
- I-225 widening to Mississippi complete (summer)

**2015 (July-Dec)**
- Light rail opens (summer)

**2016 (Jan-June)**
- I-225 widening to Mississippi complete (summer)
OPERATIONAL OPPORTUNITY

MASTER PLANNING

MASTER PLAN

- Site infrastructure
- Campus growth, future needs
- Town halls, organized meetings
- Complete by spring 2013
- “Big ideas” so far
  - Connector building integrating clinical and research enterprises
  - Joint facilities collaboration with site-wide partners
OPERATIONAL CHALLENGE

INFRASTRUCTURE FUNDING

ENHANCING ADMINISTRATIVE INFRASTRUCTURE NECESSARY TO SUPPORT MISSIONS

- Lacking infrastructure and bandwidth to support an enterprise of this size
- How do we increase, given current funding limitations?
- How do we organize administrative infrastructure to maximize the economies, efficiencies and expertise of scale?
SPONSORED PROGRAMS REVIEW

SYSTEMWIDE CONSULTANT STUDY
OF ENTIRE RESEARCH ENTERPRISE, TO INCLUDE:

- Sponsored program infrastructure
  - Grants and Contracts, regulatory compliance, IRB’s
- Enhanced research relationships with industry
- Biotech transfer infrastructure and strategy
  - Organizational structure
  - Intellectual property management
  - IP management and ownership
  - Conflict of Interest
  - Funding
EFFORTS TO INCREASE FUNDING

- Government Relations
- CU President
- Legislative strategies
- Tax strategies
- F&A renegotiation
OUR FUTURE

- Political, economic and market forces will profoundly impact academic medicine across all of our missions – and across all of our schools
FACILITIES
LEADERSHIP

Richard D. Krugman, MD
Dean, School of Medicine

Denise Kassebaum, MS, DDS
Dean, School of Dental Medicine

Ralph Altiere, PhD
Dean, Skaggs School of Pharmacy and Pharmaceutical Sciences

Barry Shur, PhD
Dean, Graduate School

David C. Goff, Jr., MD, PhD
Dean, Colorado School of Public Health

Sarah Thompson, RN, PhD, FAAN
Dean, College of Nursing
TALENT
RECOGNITION AND RESPECT

Clinical:
- No. 1 academic hospital in the U.S.: University of Colorado Hospital (University HealthSystem Consortium)
- 5280: 189 of 299 physicians of Top Docs are CU faculty or clinical volunteers.
  - University of Colorado Hospital: #1 in Colorado and Denver area
  - Children’s Hospital Colorado: #5 in the U.S.
  - University of Colorado Hospital and National Jewish Health: #1 respiratory hospital in U.S.

Education:
- Medical School (primary care): #5
- Medical School (family medicine specialty): #3
- Medical School (pediatrics specialty): #5
- College of Nursing (Nurse practitioner: pediatric): #5

Research:
- NIH funding for Schools of Pharmacy ($/per PhD FTE): #3
- NIH funding for public university Schools of Medicine: #7
OUR IMPACT

HEART FAILURE CORE MEASURES

University of Colorado Hospital is in the 90\textsuperscript{th} percentile of academic medical centers for making sure identified standards are met for heart failure patients (ranked 12\textsuperscript{th} out of 125 hospitals). Data is collected from UHC from April 2010–March 2011.

PATIENT SURVIVAL AFTER HEART TRANSPLANTATION

Key: ■ UCH  ■ U.S.  ■ UHC AVERAGE

Key: ■ UCH  ■ U.S.  ■ EXPECTED
OUR IMPACT

BREAST CANCER
5-YEAR SURVIVAL

LUNG CANCER
5-YEAR SURVIVAL

MELANOMA OF THE SKIN
5-YEAR SURVIVAL

PROSTATE CANCER
5-YEAR SURVIVAL

Key: UCH STATE NATIONAL

AJCC 6TH EDITION, COMBINED 2003-2004 DATA

October 22, 2012
“Collaboration is the new competition”

– Governor John Hickenlooper
Thank You