Medical School Financing and Funds Flow

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Medical School: Foundational Elements

1. Education
2. Innovation/research
3. Clinical practice
Mission Investment: Education

Medical school education costs are increasing due to:

• Technology
• Complexity
• Need for simulation labs
• Accreditation requirements

Tuition

• Covers only a portion of the actual costs of educating physicians
• Medical schools incur a loss on education
Mission Investment: Research

- Medical school research also incurs a loss, usually a substantial one.
- A study by the Association of American Medical Colleges in collaboration with Price Waterhouse Coopers found that for every $100 of sponsored research a medical school conducts, it loses $53.
- University of Minnesota Medical School conducts about $320M of research/year and must find sources for about $170M in unfunded research costs annually.
Clinical Support for Mission

• The University of Minnesota Medical School receives academic support through clinical revenues from two sources:
  1. University of Minnesota Physicians (UMP)
  2. Health system or systems (currently Fairview Health System)

• The funds from UMP are primarily for clinical services provided by the physician faculty to health systems across the state. Fairview represents approximately 90% of these clinical revenues.

• The funds from Fairview are from their operating revenue, which includes payments for services provided by UMP providers.

• Clinical revenues must support the unfunded education and research costs.
Medical School Funds Flow

<table>
<thead>
<tr>
<th>Category</th>
<th>($millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teaching</td>
<td>-23</td>
</tr>
<tr>
<td>Research</td>
<td>-170</td>
</tr>
<tr>
<td>UMP Contributions</td>
<td>78</td>
</tr>
<tr>
<td>Health system</td>
<td>100</td>
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<tr>
<td>academic support</td>
<td></td>
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<tr>
<td>Other</td>
<td>15</td>
</tr>
</tbody>
</table>
Expenses: $1.23B

- Salaries (31%)
- Faculty Clinical Salaries (22%)
- Supplies & General (21%)
- Fringe Benefits (10%)
- Indirect Costs and Subcontracts (10%)
- Other (4%)
- Equipment, Rents, and Repairs (2%)
Medical School Sources of Funds FY23: $1.215B

- UMP (34%)
- Sponsored (26%)
- State O&M/State Specials (9%)
- Fairview (8%)
- ICR (7%)
- Tuition and Fees (4%)
- Affiliated Hospital Revenue (4%)
- Philanthropy (4%)
- Internal/External Sales (3%)
- Other (1%)
Sources of Funds from UMP: $410M

- Faculty Clinical Salaries (65%)
- Other Clinical Expenses (16%)
- Historical Academic Transfers (8%)
- Academic Transfers (10%)
- Dean's Tax on Non-Fairview Business (1%)
Academic Payment Agreement

- Agreement between University of Minnesota and Fairview Health Services
- Entered in 2018
- Purpose: create a nationally-renowned, high-performing academic health system
- Serves patients and communities in a coordinated manner
- Supports the education and research missions of the University across the care delivery system
Sources of Funds from Fairview: $100M

- Fixed Academic Support (52%): $52M
- GME Funding (39%): $39M
- Variable Academic Support (9%): $9M
At a glance

**NIH Funding**
- $357M
- #8 NIH funding among public schools

**MD Students**
- 932

**MD/PhD Students**
- 56

**Grad Students**
- 402

**Primary Care Education by U.S. News & World Report**
- #2

**Providers**
- 3,300
- 100 Specialties
- 10 Hospitals
- 60 Clinics
- 1.2M patient visits in 2022

(Patients from all of MN’s 87 counties)

**Residents and Fellows**
- 1,002