

**Minutes of Meeting
April 4, 2017**

I. Chair's Announcements

Bernard Sadoulet, UCPB Chair

Update: Item VI, originally to be consultation with the budget office, has been changed to an executive session.

II. Consent Calendar

1. DRAFT Minutes- Meeting of December 6, 2016
2. DRAFT Minutes- Videoconference of January 10, 2017

Action: The consent calendar was approved as noticed.

III. Review Items

1. Proposed President Policy on Export Controls
Action: San Diego Representative Khang will serve as lead reviewer.
2. Proposed Revisions to APM 285, 210-3, 133 and 740
Action: Riverside Representative Shelton will serve as lead reviewer.
3. Proposed Revisions to Senate Bylaw 336
Action: The committee elected not to opine on this item.
4. SSPs
 - a. UCB Proposed Masters in Molecular Science and Software Engineering
Action: San Francisco Representative Pieper will serve as lead reviewer.
 - b. UCB Proposed Masters in Information and Cyber Security
Action: Merced Representative Singhal will serve as lead reviewer.

IV. Consultation with Academic Senate Leadership

Jim Chalfant, Academic Council Chair

Shane White, Academic Council Vice Chair

Update: Chair Chalfant updated the committee on several items of interest:

- Regental action on the non-resident policy has been deferred to May. Sacramento politics are a factor, and UCOP efforts to illustrate the nuances of admission and enrollment policies face many obstacles. The long-term impacts of the current budget model and processes need to be clearly illustrated to all parties.
- The Regents adopted the proposed professional development supplemental tuition (PDST) policy, but additional changes to this area are still expected.
- The Regents also approved changes to APM 015 and 016, which govern enforcement of faculty sexual harassment and sexual violence claims. Some student groups wanted farther reaching changes, but were persuaded they would be inappropriate in this policy. Discussions continue.

- The state Assembly budget committee is awaiting the results of an eligibility study which should be completed over the summer. The audit of UCOP will be formally released later this month.
- Some in UCOP are again raising concerns about UCRP funding levels and the retiree health liability. Although additional borrowing for UCRP is anticipated, lower returns than last year may off-set the gain.

Note: The remainder of this item occurred in executive session, and no notes were taken.

V. Consultation with the Office of the President – UC Health

John Stobo, Executive Vice President

Update: UC Health: EVP Stobo reminded members the UC Health consists of two buckets- the 18 health professional schools (HPS), which include medicine, nursing, pharmacy, dentistry, etc, and the five medical centers. UC Health is 45% of the overall UC budget, and on medical center campuses, is over half the total budget. The medical centers average \$10.5B in revenues, plus faculty practices. Sixty-percent of revenue is from commercial insurance, even though commercial insurance represents on 40% of volume. The MediCal reimbursement rate is only 50 cents on the dollar, while Medicare reimbursement averages 90-95 cents on the dollar. Consequently, the commercial insurance margins allow for the function of “county” hospital function UC medical centers provide the state. Although revenues have increased over the past decade, margins are down from 6% to 3%. Most reinvestment has been in the physical plant and to support programmatic growth, including sharing hospital revenues with the academic medical center. Changes in the external insurance market and the clinical markets keep most business plans in constant flux.

Discussion: Members asked why the margins were down – due to lower reimbursement, lower returns on investments, other? EVP Stobo indicated it was due to changes in reimbursement practices, which have dropped from X+10 to X+3; investment returns have been relatively constant. Year over year cost increases have also out-paced revenue growth. Another draw on the margins are increasing post-employment benefit expenses; GASB rule changes have changed the ratios, too.

Members asked how UC Health was preparing for possible changes to federal fund flows, such as block grants. EVP Stobo noted that California expanded MediCal a lot under the ACA and with the associated exchanges, but again, they only pay 50 cents on the dollar. Block grants would harmful to the medical center bottom line. Current options include: 1) better management of care to reduce expenses, including improved coordination with other departments and social services; 2) continue to advocate for more money; and 3) as a state, commit to maintain the advances made, as has been done with climate policy. The cost of continuing current coverage levels in the face of full repeal would be about \$20B (\$15B from the Medicaid expansion and \$5B from the exchanges). Regardless, best practices for care delivery and procurement are continuously being sought.

Members asked UC Health was addressing cyber-security issues. EVP Stobo noted that it is a constantly changing threat, which increases its expense. UC Health is seeking a system approach. Members asked about UC Health’s market strategy. EVP Stobo indicated that in order to maintain revenue growth, UC Health needs to continue to grow its market share, which requires increasing affiliations if not acquisitions. Members noted that UC Health

specializes in tertiary care and asked if affiliates are given a referral expectation. EVP Stobo reiterated that new affiliations are needed to increase the UC Health primary care footprint, and added that kickback laws prevent referral requirements. Nonetheless, removing bureaucratic obstacles and improving community outreach could encourage referrals.

Members asked how UC Health dealt with partners who have religious objections to various medical practices. EVP Stobo noted that this is a common issue that UC Health handles regularly. Faculty participation is a good back-stop, but clear communications are the first necessity.

Update: UC Care: EVP Stobo reminded members that UC Care is UC's first self-insured plan. Like all PPO plans, it provides easier access to specialists but is inherently more expensive to run than an HMO plan. The goals of the program are 1) to better control cost increases, and in fact, UC Care has guaranteed to limit cost increases to UCOP to 5% per annum; 2) to better control the benefits offered; 3) to keep UC dollars with UC; and 4) to better control the network. UC's practice of cost sharing within benefits plans may jeopardize the plan's commitment to 5% employer cost increases, though. Within 10 years, UC Care needs to be within 20% of the Kaiser cost structure to be sustainable. Entry into the public insurance market would be a long-term goal.

Discussion: Members asked if the UC Care networks for Santa Barbara and Riverside would be improved. EVP Stobo said that the subsidy to keep Samsung and Cottage in Tier 1 would continue. Riverside Community Hospital was added this year, and it is hoped that RCH will serve as the teaching hospital for UCR's medical school. Discussions continue.

VI. Executive Session

Note: During executive session, other than action items, no notes are taken.

VII. Consultation with the Office of the President – Academic Affairs

Pamela Brown, Vice President, Institutional Research and Academic Planning

1. Framework for Growth and Support

Issue: VP Brown reviewed the goals and background of the project with the committee: The goal is to proffer a long-term vision, not year-by-year reactions. The overall structure is adapted from the BFI model, and the charge has finally been agreed upon: Looking to 2040, the ideal student population and associated needs including budget, plant, and the rest, should be illustrated. Multiple scenarios will be allowed. Preliminary figures are due in mid-April, and revised numbers are expected in June. An aggregated systemwide picture will be shared as a vision, not a plan.

Discussion: Members asked how Senate participation was being codified in the process. VP Brown agreed that a formal avenue for feedback would be good. Members also asked if the upcoming eligibility study would be taken into account, and VP Brown referred members to a data dashboard on her website. Members asked how UCOP would spin these visions, should they be reported publicly as plans and should UC eventually fail to achieve them. Members also noted that if more than one campus suggests single digit student growth, planning for an 11th campus is the only viable outcome.

2. Academic Quality Assessment

Issue: Members seek input into how UCOP “calculates” and communicates academic quality, especially in light of legislative concerns about the academic bona fides of non-resident students. Beyond standard metrics such as student-faculty ratio, and other more misleading measures such as time to degree (popularity versus quality) or endowments or alumni giving (still popularity), what should UCOP consider as indicative of academic quality today versus yesterday?

Discussion: Members suggested exploring feedback from UCUES and other industry measurements, even those perhaps now considered defunct, such as CPAC. Identification of lagging indicators is also important.

Action: VP Brown will share her current metrics.

VIII. Consultation with the Office of the President – Finance

Peggy Arrivas, Associate Vice President and Controller

1. Changes to State Indirect Cost Practices

Issue: AVP Arrivas reported that the state is changing its policy regarding waivers due to sub-recipients in some grants. Sometimes the need to negotiate between campuses complicates issues. The base rate is expected to increase, but the state is discontinuing infrastructure contributions going forward.

Discussion: Members asked if indirect costs were funded by a zero-sum pool from the state agencies. AVP Arrivas indicated that the pool was fixed systemwide, so internally there will be winners and losers. Some campuses are waiving incremental increases.

Action: UCPB will return to this topic at a future meeting.

IX. Campus Structural Budget Deficits

Robert L Powell, Berkeley Divisional Chair

Sanjay Govindjee, Chair, UCB CAPRA

Issue: Chair Powell reported that UCB had been functioning on cash reserves for several years now, but that those reserves are nearly depleted. During this time, deferred maintenance has continued to accrue. The current deficit is about 8.5% of the total campus budget, if non-“green” funds are removed. This is the equivalent of an across the board 6% cut to staff. The current model is not sustainable absent programmatic cuts; UCOP is covering the delta for now, but the terms of the loan, other than requiring a balanced budget by 2020, are not known. Scheduled physical plant maintenance will require an “over” balanced budget in the out years. The campus is also still recovering from failed experiments in campus shared services; poor roll-out and planning lead to an increase in headcount, and now layoffs are in progress and vacancy control is in place. Faculty poaching by competitors is on the rise, leading to a hollowing out in an effort to preserve externalities. Giving is up recently, but it is not viewed as a panacea. Extension expansion and more SSPs are other revenue options, but the extent of their income generating potential is not clear. Without new revenue, the only option is qualitative cuts.

Discussion: Members speculated on the utility and methods of strategically showing harm to various stakeholder groups. The lessons that can be learned by other campuses from this situation require further analysis.

X. Further Discussion and New Business

1. Resources per Student

Action: Chair Sadoulet will inquire for data on per student expenditures by campus and how it has changed longitudinally during rebenchmarking.

Adjournment 3:30 p.m.

Minutes prepared by Kenneth Feer, Principal Policy Analyst

Attest: Bernard Sadoulet, UCPB Chair

Attendance:

Bernard Sadoulet, Chair

Raveevarn Choksombatchai, UCB

Bob Powell, UCD

Jim Steintrager, UCI

Tim Lane, UCLA

Mukesh Singhal, UCM (phone)

Christian Shelton, UCR

Russ Pieper, UCSF

Ann Jensen Adams, UCSB (phone)

Abel Rodriguez, UCSC

Andrew Kahng, UCSD

Aaron Dolor, Graduate Student Representative