

TOPIC: Proposed FY 2018 Contract between the University of Maryland, Baltimore and the University of Maryland Medical System Corporation

COMMITTEE: Finance

DATE OF MEETING: June 8, 2017

BRIEF EXPLANATION: Pursuant to Section 13-306 of the Education Article, each year the Board of Regents of the University System of Maryland and the Board of Directors of the University of Maryland Medical System Corporation (UMMS) are asked to approve an annual contract between University of Maryland, Baltimore (UMB) and UMMS which states all financial obligations, exchanges of services, and any other agreed relationships between them for the ensuing fiscal year.

At this time, the Board is asked to approve the Annual Contract for FY 2018 incorporating the financial information for FY 2018 reflected in the attached schedule of payments of UMMS and UMB to one another in Fiscal Years 2016, 2017 and 2018. For FY 2018, there is a net increase of \$2,108,624 in UMMS compensation to UMB. The increase reflects changes in service provided to UMMS by UMB Schools. The majority of the change relates to the School of Medicine, which has secured additional support for critical clinical faculty and for faculty who will staff new clinical initiatives.

The majority of faculty services reflected in the contract are provided at UMMS facilities at the UMB campus. The contract also includes compensation for School of Medicine faculty services at the University of Maryland Medical Center Midtown Campus (formerly Maryland General Hospital) about a mile north of the UMB campus.

The proposed contract text will be available for review at the meeting. The contract text previously has been reviewed and approved for form and legal sufficiency by the Office of the Attorney General.

ALTERNATIVE(S): An Annual Contract incorporating the information in the attached schedule is recommended by the President of UMB, the Dean of the School of Medicine, the President of UMMS and the Chancellor. In accordance with Section 13-306, the Committee could postpone action and recommend that the Regents and Directors appoint a joint committee to review the proposed contract. This is not recommended, as UMB and UMMS have agreed upon contract terms.

FISCAL IMPACT: The fiscal impact of the Annual Contract is as specified in the attached schedule. The contract results in a net fund transfer from UMMS to UMB of \$137,512,269 in FY 2018.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents authorize the President of UMB to execute the Annual Contract for FY 2018.

COMMITTEE RECOMMENDATION: RECOMMEND APPROVAL

DATE: 6/8/17

BOARD ACTION:

DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-1923

PAYMENTS UNDER
 FY 2016, FY 2017, and FY 2018 ANNUAL CONTRACTS
 BETWEEN UMB AND UMMS

<u>Payments to UMB</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>
Administrative Services	\$1,439,758	\$1,709,894	1,717,083
Faculty Services:			
School of Medicine (including Trauma)	126,952,949	136,994,488	139,939,123*
School of Pharmacy	1,042,131	1,154,686	1,065,992
School of Dentistry	<u>545,582</u>	<u>564,881</u>	<u>568,007</u>
<u>Payments to UMMS</u>			
Space Charge	(1,157,304)	(1,157,304)	(1,157,304)
Fringe Benefit Adjustment**		(3,863,000)	(4,620,632)
NET TO UMB	\$128,823,116	\$135,403,645	\$137,512,269

* For Fiscal Year 2018, \$32,787,027 of this School of Medicine support is designated as seed support. Continuation of that seed support in FY 2019 and later years is subject to annual negotiation. The School of Medicine support does not include additional funds UMMS expects to provide to support salaries of physicians who are recruited during Fiscal Year 2018 to new positions supported by UMMS.

** The SOM payments for faculty services are calculated using the standard UMB faculty fringe benefit rate. The effective fringe benefit rate for School of Medicine faculty is lower than the campus standard or average rate. SOM will adjust the fringe benefit payment to UMMS to obtain a UMMS payment closer to actual cost than would result if the full fringe benefit rate were charged. For FY 2018, the estimated adjustment is \$4,620,632.