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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE/ JOINT COMMITTEE ON CAPITAL REVIEW

SUBCOMMITTEE ON PHOENIX MEDICAL CAMPUS

September 15, 2005

The Chairman called the meeting to order at 1:12 p.m., Thursday, September 15, 2004, in House Hearing Room 4. The following were present:

Members: Senator Bob Burns, Co-Chairman Representative Russell Pearce, Co-Chairman
 Senator Karen Johnson Representative Pamela Gorman
 Representative Phil Lopes

Absent: Senator Robert Cannell

JLBC STAFF – Possible Recommendations to the Joint Legislative Budget Committee Concerning its Review of the University of Arizona – Phoenix Medical Campus.

Ms. Shelli Carol, JLBC Staff, gave an overview of the Phoenix Medical Campus (Attachment A).

Representative Gorman asked what the university will do if they do not receive the funding they expect.

Ms. Carol said that JLBC Staff had presented that question to them and they are working on it.

Dr. Keith Joiner, Dean, University of Arizona, College of Medicine, provided what their contributions were using a handout (Attachment B), to the Arizona Board of Regent's (ABOR) response to SB 1517, as well as the guiding principles for their response. He noted that what they are doing is unique and in the last 35 years there has not been an opportunity like this. He said that the more quickly they can move to Level II the faster the state will be able to take advantage of the benefits. They want to stay within the budget guidelines from the Legislative Briefing Book for Level I even though they want to move to Level II. He said they wanted to focus on the questions as well as provide very comprehensive answers.

Senator Johnson said it appeared that even though this is a medical school there is far more science being taught.

Dr. Joiner said that what you want to create is an environment where you have scientists working next to clinicians. Of the funding for graduate students, a very small fraction is derived from the school. Most of it comes from federal sources and grants, and research grants. It is such an important part of the enterprise but its not a major portion of it.

Senator Johnson said the need for medical doctors is acute but it appears that more research is going on.

Dr. Joiner said that one of the notions that has arisen that he wants to clarify is that training medical students is a process that is very much focused on training students that practice medicine. Frequently, the faculty who do the training are researchers. That does not mean that you cannot do both, research and training. They depend on these researchers because that is the way you push the envelope and work on the cutting edge. When researchers come in with the basic sciences, as a rule they come in with graduate students, post doctoral fellows and a whole team of investigators, which is not detracting in any way from the medical student's education, but is actually adding to it. One will not compromise the other.

The growth in the medical student class is not linear because they are constrained by the facilities they are in. Until they have a new education building, which they projected in their plan that it would be available in 2010, an assumption that pushed that forward by a couple of years. They think that this is such an important component of this project, to get to a class size of 150; they wanted to aggressively take that stance. They are doing Level I at a cost that is a fifth or a tenth of what they would be doing elsewhere and they are really underpowered in terms of the number of faculty that they have to teach this number of medical students.

Senator Johnson asked if nutrition and supplements would be in the curriculum.

Dr. Joiner said they recognized that and in Tucson wanted to incorporate aspects of nutrition into the curriculum. And, as opposed to what might have been done in the past, which was to just have a course in nutrition, they want to embed it into the discussions of patient's nutritional aspects of health and disease.

Representative Gorman asked if the programs at the Phoenix Medical Campus would be duplicative or would students have to drive roundtrip from Tucson to pick up some of their classes in Phoenix.

Dr. Joiner said there would be duplication for the explicit reason that they need to train more students and pharmacists, which they cannot do even if they remain in Tucson. The duplication is going to occur in a very cost effective way. The Tucson area is unable to support any more clinical rotations. They have to make sure that they do not duplicate some of the fixed costs that are common to both programs. Some of the administrative structure and faculty will not be duplicated. In addition, they will take advantage of the Telemedicine Program, especially the teleconferencing aspect of it. For the classes that students would need to take in Phoenix, they will be in 6-week blocks, so they could stay with family or friends during the course. They will not be able to do their whole curriculum in Tucson. Currently, 40 students of their 3rd and 4th year classes spend their entire time at the regional campuses, which have been in Phoenix since 1992. These medical students have to come to Phoenix for their clinical rotations.

Dr. Joiner said that medical schools are among some of the most complicated organizational structures. They have "fast-tracked" it to get the first class started by July 2007. He noted that there has been some confusion as to why they need to start planning so far ahead of time. They need to recruit new faculty and have them engaged in curriculum development. They are proposing that 12 to 15 new full-time faculty be involved in the curriculum process.

Senator Johnson asked if in the planning stages, they are giving consideration to fulfilling the needs of the rural areas, since this school will be in an urban setting.

Dr. Joiner said that is one of their concerns. There are a variety of programs for students that allow and encourage them to see patients in rural areas. That is just one piece of a multifaceted approach they are working on and it involves resident rotations, student scholarship programs, a whole compilation of activities and steps that they want to put in place. It is an issue for every state in the country and has never been solved well, but they are taking steps to address that issue.

Senator Johnson said she would be interested, at some point, to hear what the steps are when they get to that phase.

Dr. Joiner said in terms of facilities, this school will be built largely with multiple funding sources and will be a state-of-the-art campus. He said that an economic analysis by Tripp Umbach, experts in academic medical centers, estimates that the Phoenix Biomedical Campus will rank among Arizona's leading

economic engines by 2025. The campus has the potential to generate \$2.1 billion in annual economic impact and provide general employment to 24,000 Arizona residents. He also stated that the campus has the opportunity to generate more than \$80 million annually in government revenue, providing the state with \$2 in government revenue for every \$1 invested.

Senator Johnson expressed her concern about creating residency slots.

Dr. Joiner gave some background as to the difference between medical students and residency physicians. Residency physicians are controlled by hospitals. At this point, hospitals that are in the county are the ones that they will send their students to for rotations. Even though that circumstance may change it is not up to the school to determine how those residency physicians are used. He said the number of residency slots is controlled at the federal level by the Center for Medicare and Medicaid Services. Nationally there is a misallocation of residency physicians. The population has grown in the west, remained static or dropped in the east, but the residency allocations have not changed. This year for the first time they are starting to correct that mismatch. The University received 25 additional residency slots this year. This is a process that they anticipate to continue to evolve. Dr. Joiner said that in looking at the percentage of students graduating from medical schools who stay in the same state as their residency, they were 2nd highest in the country. Fifty-nine percent of their students stay in Arizona, the average nationally is 33%.

Representative Pearce said there is no incentive to encourage physicians to practice in rural Arizona. He asked what is being done to join hands with private medical schools and work with them to produce doctors.

Dr. Joiner said that there are 7 medical students in training for every 100,000 population. That puts the state at 46th in the country. The average nationally is 22 per 100,000. They need to train more physicians as well as create mechanisms to have their students make commitments to practice in rural areas. This is a national dilemma.

Representative Pearce said that when medical students are subsidized by the state, the school could put conditions on the medical students to practice in Arizona. He did not know if that was appropriate or not but felt like it is needed. He asked how many practicing physicians in the state are from private schools.

Dr. Joiner said he would have to get back to him with that information.

Senator Johnson said there was a report that osteopathic hospitals cannot get the residency requirements and asked if Dr. Joiner knew what the problem was.

Dr. Joiner said there are multiple issues that have been discussed with the osteopathic schools and one has to do with allowing their medical students to do rotation at their clinical years at the same sites as allopathic students. In the past, there have been some decisions made that have been reversed. They are now working on how osteopathic students could be brought into the hospitals along with the allopathic students. On average, 80% nationally of osteopathic students do residencies in allopathic programs.

In response to Senator Johnson, Dr. Joiner said most of the cost for residency is borne by the federal government in stipends to residents, salaries and funding to the hospitals to cover the cost of a teaching hospital. The cost is approximately \$75,000.

Senator Johnson asked if students can choose to do their residency in private hospitals or is it always the federal government that decides.

Dr. Joiner said that hospitals choose the residents. The federal government does not have any say in terms of where residents go. What they do is provide a certain number of positions to hospitals and then the hospitals choose residents. There is no distinction between the private and public hospitals in terms of residency stipends coming from the federal government. Hospitals can provide extra money for residents on their own, but in general that is not done.

In response to Senator Burns, Dr. Joiner said that Arizona obtained the 25 residency slots that opened up this year. What was done this year was to reallocate some residency slots from residency positions that did

not fill nationally, predominantly to rural sites, but also to hospitals that serve underserved populations. The maximum that any hospital could get was 25.

Senator Burns asked how the Medical College will continue to operate and expand, if in fact, the residency slots do not shift from other states to Arizona,.

Dr. Joiner said that more of the resident positions will be filled by our students. At least 60% of them stay here in Arizona and in turn they will stay to practice in Arizona.

Senator Burns noted that there are a limited number of residency slots controlled by the federal government and Arizona picked up 25 those additional slots. He asked if they do not continue to pick up the slots, will there be enough residency positions.

Dr. Joiner said there are more than enough residency slots in the state, far more than the number of students needing residency slots. He is not suggesting that all of their students will stay in the state but there is capacity for them.

Senator Johnson asked if there are any hospitals in rural areas doing residency.

Dr. Joiner said there are, however, he was not sure how many. He said he has been in discussions with Senator Cannell about creating opportunities for residencies, specifically in Yuma, that would be funded either through this reallocation process or some other types of funding.

Representative Gorman asked if an allopathic student from another state would be allowed to fill any of the 25 Arizona residency slots and is there a preference shown for certain students.

Dr. Joiner said that regardless of what the program is, the way it works is that there is a selection process and it is up to the hospital whether to choose an osteopathic or allopathic resident. He said there is a preference in that there is a natural inclination to select students that you have experience with for filling these residency slots. However, there will always be students who want to do their residency out-of-state.

Representative Gorman asked if Dr. Joiner would be in favor of the Legislature adding conditions to the money that is provided to residents which would require a commitment on the student to practice in rural Arizona.

Dr. Joiner said he would be in favor of incentives to do that, such as the Medical Student Loan program. He said the cost to a private medical student as opposed to a public medical student is twice the amount.

Representative Pearce said that if the taxpayers are subsidizing the medical student's education they should have a right to ask for a commitment from the students since the community is supporting them.

Representative Lopes said that a lot of interest in this proposal has to do with increasing the number of doctors in areas where they are needed. Not only are doctors needed in rural areas, but are also needed in urban areas. In regards to the Rural Rotation Program, there is a program in Arizona called Loan Repayment that is an incentive, which comes at the end of residency when people are facing enormous educational costs. The state then says they would like to help the student with these costs but they would have to go practice in a rural area. The state does determine where a medical student goes under those conditions. He noted that if a student comes from a rural area or underserved area they are far more likely to go back and practice where he or she came from. He asked if by expanding the number of medical students and residency slots, and continue the record of our students filling these slots, would that be another major element of this, that they are going to expand the pool into students from underserved areas.

Dr. Joiner said that was correct. It is true that a medical student from a rural area is more likely to go back to the community he came from.

Representative Pearce said that a concern he has is the fact that this came to the Legislature very late in the session and it seems they are aggressively going into Level II. If the Legislature does not go beyond the commitment of \$7 million what are their prospects of being able to generate revenues needed to progress.

Dr. Joiner said that they would continue to enroll students for some period of time. For how long he was not sure. They could not expand beyond that. They would never spend beyond their means and would look for other funding sources.

Representative Pearce said that something that was made very clear at a recent Finance Advisory Committee (FAC) meeting was that the economy is doing very well, but there are some fragile parts to it. It was emphasized that what you ought not to do is spend. There is always a balance in this body and he wanted them to understand where he was coming from. The FAC recommended that money spent should be for one-time expenses and he feels it is prudent to be cautious.

Dr. Joiner said that there would be no better way to spend money if you are looking for a return on investment. One of the biggest problems facing the state is providing health care coverage.

Representative Pearce asked what they were going to do about student housing with the expansion. He also asked why it would not be better to expand the University of Arizona as opposed to building a new facility in Phoenix.

Dr. Joiner said they do not have student housing for medical students in Tucson and does not see it as a problem. As to a new facility, he said that he did not think there would be much of a cost savings because they are capped out in their present facilities. There will not be the return on investment in Tucson as there will be in Phoenix.

Senator Johnson questioned whether there were any discussions with hospitals regarding residency slots.

Dr. Joiner said there are lots of discussions going on with the hospitals and they are dealing with it as a natural progression over time. They have current commitments from hospitals and plenty of rotations for students. The first students will not hit that period until 2010 so there are 4 years to address that issue. He said that he wanted to emphasize that they have a plan for Level I and a hope for Level II, and want to move ahead with it.

Senator Johnson asked if someone could address the question of rotations.

Mr. Jamie Molera, The Molera Alvarez Group, said he would have his staff provide that information to the Senator Johnson.

Dean David Young, Arizona State University, College of Liberal Arts and Sciences, presented on Bioinformatics (Attachment C), which is an ASU department, and how it fits into the biomedical sciences, to TGen and other health care providers in the state, as it relates to the expanded medical college. They are also interfacing with institutions outside of Arizona and one of those is the Mayo School of Medicine in Rochester, Minnesota. They are in the process of a search for a Chair of the new department, and are appointing advisory boards, one scientific and one community based. They will first launch a Masters Degree in Biomedical Informatics. They are aggressively recruiting faculty for this new department. It will be housed in 2 places, Phoenix Medical Campus and also offices on the Tempe Campus.

Dr. Ronald Weinstein, Director, Arizona Telemedicine Program, gave a presentation on the Telemedicine Program (Attachment D). He said the Telemedicine Program is very important with what is going on in Phoenix and the Medical Campus. He said there has been a plan in the federal government for a long time to establish a TGen here in Phoenix and the Medical School came along and became the logical place to house it. The Telemedicine Program is one of the largest comprehensive Telemedicine Programs in the United States. It includes Telemedicine services and training, and it includes 60%-70% of the distant learning from Phoenix. They maintain a large private telecommunications network that has saved the state millions of dollars.

The program was founded 1996 and performed 90,000 cases in 2004, bringing critically needed services to communities throughout the state. Thus far the program has won 7 national awards, and brought in 45 grants totaling over \$17 million. Every 3 months they meet at the JLBC and Senator Burns chairs the governance group. They started a utility which reports to the Arizona Board of Regents (ABOR) and has linked 150 sites in the state by broadband telecommunications, saving the state over \$4 million. They have extensive sites on the Navajo Nation, as well as 10 of 11 prisons are connected to service providers and

80% of the subspecialty health care now comes over the network, increasing public safety. They have urban, regional and international programs.

In summary it is a new kind of institute, it is up and running, they are very enthusiastic about it and believe it is creating many opportunities for students. It will be a major component of the College of Medicine.

Senator Burns asked Dr. Joiner about the clinical beds situation. It was his understanding that the way the process works, in Tucson for example, is you have university professors that are practicing and teaching medicine. In the new College they need a place to practice and he asked how that is going to work in the Phoenix location.

Dr. Joiner said they have 400 part-time faculty in Phoenix who teach their medical students and they will continue to use them. They will hire a small number of their own faculty who will have to practice in one of those hospitals or work in an ambulatory setting.

Senator Burns noted that there are a lot of questions concerning this project and he suggested that if members of the Subcommittee have any further questions they should be forwarded to Richard Stavneak, Director, JLBC in order to provide the responses to the Committee at the next meeting.

Senator Burns moved that the Joint Subcommittee on the Phoenix Medical Campus forward the Arizona Board of Regents' report on the Phoenix Medical Campus to the full Joint Legislative Budget Committee for its review. In forwarding the report, the Subcommittee cautions the full Committee that several key questions remain unanswered. As a result, the Subcommittee recommends that the full Committee indicate that its review of the report does not constitute endorsement of any monies for the Phoenix Medical Campus beyond \$7 million. The motion carried.

Chairman Pearce adjourned the meeting at 3:20 p.m.

Respectfully submitted:

Cheryl Kestner, Secretary

Richard Stavneak, Director

Representative Russell Pearce, Co-Chairman

Senator Bob Burns, Co-Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 West Adams.