Testimony from
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before the
House Education Budget Committee
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Thank you, Chairman and members of the committee, for the opportunity to testify in front of you today. Before I begin, I would like to introduce to the committee one of the newest and most important individuals on our team, Dr. H. David Wilson; he is our new dean for the KU School of Medicine, Wichita campus and is a recognized leader in academic medicine. He was most recently the Dean of the University of North Dakota. The School of Medicine and Health Sciences was ranked fourth out of 125 medical schools in the percentage of graduates choosing family medicine, while U.S. News and World Report ranked the school fifth in the nation for its rural medicine program.

His impressive credentials include: training as a pediatrician with a fellowship in infectious diseases; Associate Dean for Academic Affairs at the University of Kentucky; Dean of the School of Medicine at the University of North Dakota; Chair of the Association of American Medical Colleges, Community-Based Deans Group; and Chair of the Association of American Medical Colleges, Council of Deans.

I’d like to now discuss the budget situation at the University of Kansas Medical Center, which relies on the State General Fund (SGF) for a much greater percentage of its budget than does Lawrence.

Budget Background

As I shared with the Legislative Educational Planning Committee this summer, the University of Kansas Medical Center encompasses several programs, including the Schools of Medicine, Nursing, and Allied Health. As the KU Medical Center budget is distinct from that of the Lawrence campus, we sustained cuts of approximately $5.2 million with the FY 2009 rescission bill and a total of approximately $11.9 million through omnibus reductions for FY 2010. Additionally, Governor Parkinson’s allotments of July and November brought the total FY 2010 cut to approximately $14.4 million.

To put the magnitude of these cuts in perspective, the entire budget for the School of Nursing is $8.4 million, the School of Allied Health is $8.4 million, and the School of Medicine in Wichita is $15.4 million. Obviously we are not eliminating these critical programs, but the numbers show the extent to which the reductions will impact KU Medical Center as a whole.
In addition, the SGF dollars coming to KU Medical Center are highly leveraged with external sources. Prior to the current cuts, the budget was $121.6 million. This funding has helped to generate approximately $100 million in external research funding, approximately $140 million in physician revenue, and has, by providing the vast majority of the physician staff, helped The University of Kansas Hospital generate roughly $650 million. All told, this is approximately a 7-to-1 leveraging of state dollars.

Steps Taken to Meet Budget Targets

We have taken several steps to manage budget reductions. Our goal throughout has been to minimize the impact on the education of our students and residents, as well as minimize the impact on our cancer program, on investments that yield external funds, and on campus safety. We have attempted to achieve this goal through a series of cuts and other administrative changes, as well as through minimal or one-time additional funding.

On the administrative side, KU Medical Center has thus far eliminated 79 positions as a result of the cuts, including 15 faculty positions. Seventy-three other positions were funded with American Recovery and Reinvestment Act (ARRA) funds and will need to be either transferred to other funding or eliminated to compensate for the end of that funding. We have also shifted salary portions of 363 positions to other sources of funding, like clinical revenue for medical faculty in Kansas City and Wichita. This particular strategy is not sustainable over time, especially in light of current economic pressures and health care reform efforts, and more time spent by faculty seeing patients could mean less time teaching our medical students.

We have also significantly changed the way our researchers are funded, requiring more of their research and team to be grant-funded. Research assistants and staff who were funded with SGF dollars will be expected to be funded with grant awards. Additional measures include reducing investments in information and instructional technology, which will be detrimental to our infrastructure in the long term, and reducing library operations, which ultimately degrades the educational experience of our students.

Impact of Budget Cuts

The patchwork outlined above of internal cuts, tuition increases, and Recovery Act has prevented us from undermining the overall mission of KUMC. However, management of any budget reductions going forward will significantly impact our educational programs.

Examples of two programs that have already been impacted with the current cuts are the Schools of Nursing and Allied Health. While specific actions have not yet been identified, each additional faculty position lost in the School of Nursing results in approximately 25 fewer students and, for each additional faculty position in the School of Allied Health, 15 fewer students. Already, in spite of the worsening nursing shortage, the number of nursing students (undergraduate) admitted to KUMC was down over 6% in
2009. In fact, we are now training the same number of undergraduate nurses that we trained in 2005. Last year, the KU School of Nursing had 336 qualified candidates and 452 total candidates, but slots for just 120.

In addition, the Kansas Medical Student Loan Program has now been reduced by more than $133,800. This is roughly the cost of 3 of the 120 loans available each year. While we have been able to cover this reduction in FY 2010 from the Loan Repayment Fund, we will not be able to sustain the program at 120 in the future. This is the most reliable and effective program we have for putting primary care providers into rural Kansas.

Fewer students will ultimately mean fewer graduates and, as you know, we are faced with shortages of nursing and allied health professionals across the state. According to the Kansas Department of Labor, in 2008 registered nurses in Kansas had the fourth highest number of vacant positions of any profession with 2,102. In addition, the Kansas Department of Labor’s 2004-2014 report predicts that, over the ten year period, Kansas will need projected employment of an additional 6,328 registered nurses, or an increase of 24%. The Department of Labor has predicted similar numbers for allied health professions as well, with some examples being increases of 24% for occupational therapists and 23% for physical therapists. Physician shortages across the state have been also been well-documented, with a recent study showing that in Kansas overall we are currently below the national average for physicians per 100,000 population. Kansas also has a mal-distribution of physicians, with physician/population ratios below the national average in five of our six major geographic regions.

**Wichita Campus**

Our Wichita campus will play a vital role in developing the workforce necessary to meet current and future health care needs of our population. Today, the Wichita campus provides clinical training in the 3rd and 4th years of medical school. Pending both the availability of funding as well as additional planning, we hope to eventually expand the Wichita campus to a full, four-year curriculum. We are very early in the planning process and there are many steps that KU will need to take, including identifying funding sources (both philanthropic and state), taking appropriate measures to address national accreditation standards, and continuing to engage the Board of Regents and other interested stakeholders.

Also important to the Kansas workforce is graduate medical education on the Wichita campus. As you may know, last year the Legislature took action to add approximately $5.9 million in funding for FY 2010 to the Wichita Center for Graduate Medical Education (WCGME). Of this funding $2.5 million will come from SGF via Medicaid

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1 Kansas Department of Labor: *Top 25 Occupations with the Most Job Vacancies* (http://www.dol.ks.gov/LMIS/jobvacancy/jvs2008/excel/Table2.xls)
3 University of Kansas Medical Center; *Kansas Physician Workforce Report* (http://kpcc.kumc.edu/assets/KansasPhysicianWorkforceReport03-12-07.pdf)
funding in addition to $3.4 million which will come to WCGME through a federal match. The enabling Medicaid State Plan Amendment (SPA) was recently approved by CMS. To date WCGME has received $1.25 million and the hospitals have received $625,000, the first quarter payment. The Governor’s 10% budget shortfall payment reduction will impact this funding, however, these funds for WCGME will now be permanently included in the budget through the caseload process. Also during the last legislative session, then-Governor Kathleen Sebelius asked the Board of Regents (BOR) to review WCGME and provide recommendations on structure and funding. The task force has met four times, and the Board of Regents is currently reviewing its findings.

Both these programs in Wichita are vital to identifying and educating physicians to help fill the workforce void, and we will continue to work with the Legislature and other stakeholders to develop policies to ensure their continued success.

**Conclusion**

KU Medical Center recognizes the critical economic situation facing our state and understands the difficult decisions our policymakers currently face. However, we also see shortages of physicians, nurses, and allied health professionals throughout the state.

Budget cuts beyond our current level would only further hinder our efforts, and would run counter to one factor that will ultimately help bring Kansas out of the current recession – the education of skilled health professionals.

Thank you again for the opportunity to speak before the committee, and I am happy to answer any questions.