



THE CHARTIS GROUP

WHITE PAPER

Who Moved my S.A.L.A.D.?
Improving the Value of Research Investments

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On the vanguard of thought. On the front lines of action.

Who Moved my S.A.L.A.D.?

Improving the Value of Research Investments

Academic health centers (AHCs) are starting to overturn one of the last stones as they attempt to improve efficiency and advance care management performance: how funds are used for academic operating costs and strategic investments. Many academic health center executives historically wired significant funds across the street to support core mission activities such as cutting-edge research, which in turn enhanced the reputation and referrals to the clinical enterprise. But in an era where hospital CFOs study the incremental cost of every traveler nurse hour and every 0.1 day length of stay variation in a surgical unit, academic healthcare executives are asking themselves, “How is our financial support for research actually spent?” and “How do we know those dollars are effectively invested to maximize the benefit to the organization?”

Emory University School of Medicine (SOM) has taken the next step in tackling those questions and designing a new model to optimize resources invested in the research mission over the past few years. These efforts were followed by a 10-20% increase in the number of research proposals submitted and grant awards won and also resulted in a detailed understanding of administrative costs for both research and education. This paper details their journey and discusses some of the lessons learned from one of the country’s premier academic health enterprises.



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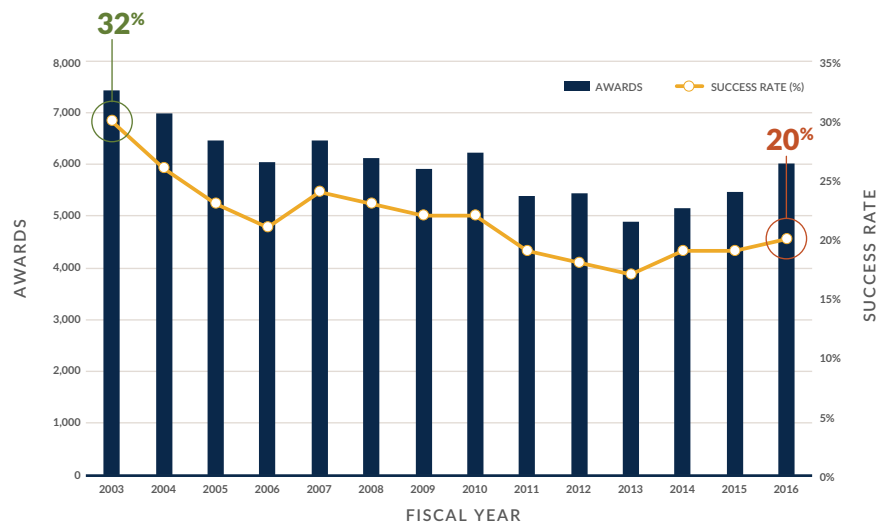
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Emory experienced the same extramural research funding constraints felt by peer institutions nationwide over the past decade: **NIH extramural support has declined nationally by 22 percent from 2003-2015, NIH grant success rates nationally have dropped from 32 percent in 2003 to 20 percent in 2015, and salary caps have created orphaned salary expenses that must be funded from other sources.** Emory has not been immune to these national trends though it remains very successful and consistently ranks in the top 20 in NIH funding. Nonetheless, a number of research-intensive faculty were facing the risk of reduced grant funding, and external financial pressure was being placed on Emory's academic enterprise and the SOM at the start of the redesign effort.

National R01-Equivalent Grants: Awards and Success Rates, 2003-2016

Source: NIH IMPAC, Success Rate File, 2017



In 2013, there was new leadership within the Emory School of Medicine, and near the top of the to-do list was to help departments thrive despite the rising challenges in research economics. Over the following year, SOM executives worked with The Chartis Group (Chartis) and a broad array of Emory leaders to define department academic budgets and measurable performance expectations for SOM research funding support. The cornerstone of this effort was a workgroup that met every Thursday evening for months, with department chairs, administrators and health science leaders collaborating to develop detailed funding principles. The Department Chairs for Medicine and Ophthalmology co-chaired the committee and helped spearhead the effort. Together the committee members would shape SOM budgets for departments and how the SOM would, together with the departments, support research at Emory in the future.

Financial support from the Dean's office to each department had evolved over many years, reflecting a multitude of variables, ranging from clinical revenue streams directed to profitable departments to negotiated arrangements coinciding with chair recruitment. However, this funding approach was viewed as unsustainable and, more importantly, inconsistent with leadership's desire to improve performance across numerous dimensions.

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Design Principles

A current state assessment was the first item on the docket to help inform discussions about design principles. The assessment sought to address a number of fundamental questions about the SOM's research enterprise, including:



Chartis and the workgroup poured over multiple databases, including faculty effort reports and faculty human resources (HR) files, to draw analytic insights.

It came as no surprise that Emory researchers were, on the whole, very productive – the average dedicated researcher covered more than half of his/her salary with extramural funding. Despite that fact, a number of researchers were still behind the curve and needed funding assistance. In addition, researchers in some departments with high grant funding shared frustration that any incremental grant dollars they were awarded yielded little additional resources for their own labs. Researchers also highlighted a lack of consistency in funding expectations – some departments expected researchers to cover 50 percent of their salary with grant funding, some 60 percent, some had no stated standard at all.

THE WORKGROUP'S
FUNDING PRINCIPLE DESIGN:

Research and Salary Expectations

Faculty to Cover



*of their salary with
extramural grant
funding*

Institution Support



*including revenue from
endowments, the SOM
and their department
funding sources*

It was natural then, of course, for the workgroup to design the first funding principle around research salary expectations.

A new bar was set. All research-intensive faculty members were expected to cover 65 percent of their salary with extramural grant funding, with the balance of support coming from the institution. The institution defined an “all-in” approach that called for a partnership of funding to support the remaining 35 percent, including revenue from endowments, the SOM, and other department funding sources. However, everyone was not expected to achieve that goal overnight. A transition period would be put into place, and the goalpost would be raised slowly, starting at 55 percent the first year, 60 percent the second year, and eventually 65 percent in the third year. There was also a promise to revisit and revise these standards based on financial sustainability over the upcoming years.

The workgroup had thoughtful and dynamic deliberations about other research funding issues as well, including over-NIH-salary cap support and bridge funding.

Significant thought was put into determining the drivers of the over-the-cap salary gap and where future funding should come from. There was much debate and internal questioning: “while we understand that many physicians in an academic setting joined the organization because of their interest in research and teaching, is it optimal to have a surgeon making \$500,000 a year investing significant time in research?” The group found that the answer depended on a wide variety of factors best judged by individual department chairs. It chose to offer guidance on how to fund the gap, offering the sequence of funds to tap into, from sources of non-federal grants to endowment funds to clinical revenue cost sharing and institutional support. Principles around how to bridge-fund researchers through transition periods were also carefully crafted, and boundaries were set around timing (e.g. 18-24 months), who was eligible for support (research-intensive faculty) and funding sources (e.g. amounts available from endowment funds and other philanthropy).

A crowning piece of the future funding structure was a new reward plan to recognize researchers who exceed their individual extramural funding expectations.

School of Medicine support funding could be “banked” by researchers to bridge them during lulls in funding as well as provide resources to support and grow research labs. This would provide discretionary funding to Emory’s highest performing faculty. The fund was nicknamed “**S.A.L.A.D.**” which stood for **Salary And Lab And Discretionary** funding, a catchy title that was consistent with the fun theme of a retreat held earlier in the year based on the well-known change management book *Who Moved My Cheese?* by Spencer Johnson.



The final recommendations were communicated and refined through extensive discussions with Chairs and faculty.

Presentations were made to department chairs at retreats, the Dean and SOM Principal Business Officer (PBO) presented at faculty meetings of every basic science department, and individual discussions were held with key stakeholders. Like any academic health center going through a major initiative to articulate faculty expectations and modify funding mechanisms in line with these expectations, change was not easy to accept at first. However, the faculty responded well to the new principles. The best evidence was significant increases in grant writing and grant awards just six months into the process.

10%-20%

Year-Over-Year Rise in Grant Applications and Awards at Emory Following Implementation



KEY SUCCESS FACTORS

There were many factors that contributed to the tremendous success of the redesign effort:

Steadfast Leadership from SOM and Department Leaders, in Full Alignment with University, Health Sciences and Healthcare Executive Leadership Support

When working on economic alignment projects across multiple academic enterprises, Chartis has found that visible, committed leadership is the number one key success factor and a fundamental requirement. Funds flow projects require close executive attention to address real and perceived impact on resource availability and allocations, political dynamics and personal financial incentives. Change management like the one detailed here requires fortitude, making challenging decisions and having difficult conversations. SOM and department leaders facilitated each weekly workgroup meeting and directly addressed productive and unproductive comments during discussions. They also presented at dozens of faculty meetings to socialize the model, receive faculty input and allay concerns, and they closely studied the data to push towards informed, data-driven recommendations.

A Culture of Transparency and Communication

The effort would have failed at the outset without trust from the faculty members and department leaders. Special attention was paid to developing a culture of transparency and communication to build trust. This included sharing SOM financials with faculty leaders as well as the Dean hosting multiple town halls and department chair retreats to keep the participants informed about planning efforts. Faculty leaders were invited to provide input at every junction, and there was some level of confidence that they would work as a team to find the right solution set. Leadership used a well-known Emory motto, “we’re all in this together,” in discussing the changes.

KEY SUCCESS FACTORS

(continued)

Close Collaborative Effort Involving a Broad Array of Stakeholders

The weekly workgroups included a large number of constituents, with 15-20 leaders from throughout the organization – department chairs, health science executives, department administrators and SOM representatives – who all closely collaborated in designing the principles. The meetings were long and filled with active debate, but agreement was eventually reached. While full consensus is difficult at best to achieve in large change initiatives, the team worked to gain broad input and acknowledged where consensus could not be reached. Workgroup members knew they owned the principles that were developed, that the principles were not a recommendation handed down to them, that they took accountability for them, and that they would need to work with their fellow colleagues and leaders to make them work.

A Dedication to Setting Consistent Expectations and Ensuring Fairness Across Departments

As part of the effort to develop a culture of trust, there was a guideline to promote fairness in the design process. The workgroup asked the consultants and Emory staff to closely study the impact of every proposed design principle; to understand any outsized negative effects on any department or faculty and to help them modify recommendations to ensure an equitable outcome.



Where to Start?

For organizations looking to more closely evaluate the funding dynamics of their research enterprise, the optimal place to start is a comprehensive current state assessment. Ask your finance and business teams the following four questions:

1

What is the magnitude of spending on research activities today?

- How much does the organization receive in grants (both direct and indirect funding)?
- How much does it spend in each cost category (faculty salaries, administrative salaries, direct department overhead, space costs, etc.)?
- Are there any insights from a three-year trend analysis?

2

Where are opportunities to improve faculty salary coverage on grants?

- How much is spent on over-NIH-salary cap funding?
- How are gaps in research salary coverage funded by the departments today? For basic science departments versus clinical departments?
- How much is spent by faculty rank (assistant, associate, professor), track (clinical, research, other non-tenure), and research FTE (primarily research, mix of research and other, primarily other)?

To drive at additional insights, you can also slice the data into these segments using the lens of salary coverage percentage instead of total salary coverage spending.

3

What is driving current faculty salary coverage trends?

- What performance expectations are department chairs setting for their faculty?
- Are the expectations clear to the faculty and is performance against these expectations monitored?
- What common feedback do you receive from your highest performing faculty members?

4

Is your organization ready to pursue a detailed redesign of research performance expectations and funding mechanisms to cover the inevitable shortfalls?

- Do you have strong executive leadership willing to invest the time and energy for meaningful change around this initiative?
- Are there any other operational or strategic initiatives that may detract from this effort?

In the end, the most difficult part of the process for Emory was likely the decision to launch the effort. It meant months of long and challenging conversations and many late nights planning for change. But in Emory's case, the effort was certainly worthwhile, and has helped leadership to set biomedical research on a positive trajectory for years to come.

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About The Chartis Group

The Chartis Group® (Chartis) provides comprehensive advisory services and analytics to the healthcare industry. With an unparalleled depth of expertise in strategic planning, performance excellence, informatics and technology, and health analytics, Chartis helps leading academic medical centers, integrated delivery networks, children's hospitals and healthcare service organizations achieve transformative results. Chartis has offices in Boston, Chicago, New York, Minneapolis and San Francisco. For more information, visit www.chartis.com.

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