

Dear Colleagues:

UTHSC is different from most other universities in that many of our individual faculty members practice their profession as part of their responsibility to the university. As an analogy, if we were a law school we would also be a large practicing law firm. The key difference is that our faculty members double as teaching clinicians to fulfill our four-tier UTHSC mission.

Our clinical practices are divided into two main types. Most of our faculty practices are modest in size and operate under the auspices of both the university and the state. This type of faculty practice has two main missions: first, to serve a primary education need for students, residents and fellows, and, second, to provide enough clinical experience to maintain our faculty credentialing and licensing by the state and their respective professional organizations. These practices usually, but not always, generate enough revenue to cover their operating costs, but do not generate sufficient revenue to pay faculty salaries or generate an academic margin.

We also maintain very large clinical practices in the College of Medicine, as well as emerging faculty practices in Dentistry, and Speech and Hearing. These practices assume major clinical and research missions, and are usually organized as not-for-profit corporations. Governed by the university, the corporations are characteristically either owned by the public or by the members. UT Medical Group is the largest and oldest of these practice groups. Usually, these organizations pay the majority (>90 percent) of the involved faculty compensation and generate an academic payment (estimated at more than \$20 million this year) as well as cover their operating costs. These practice groups comprise the single-largest revenue portion of the UTHSC portfolio (estimated at well over \$200 million annually).

Also of major importance, these practice groups secure our presence in our core teaching hospitals. By filling the hospital's beds and using the hospital's services, we create huge value for our hospital partners. This huge value guarantees the continuing role of the hospital as a teaching venue for our students, residents and fellows. Without this significant added value, hospitals can, and have, ceased their teaching mission.

The current financial climate, driven by federal policy, is forcing large multi-specialty practices to align with hospitals. This alignment fosters improved and efficient care and creates the environment for bundled disease-based reimbursement and, ultimately, capitation of covered lives. This process is well under way at UTHSC and has created great value. The first new organization created under this model was UT Le Bonheur Pediatric Specialists. The tremendous success of this group is seen in the growth and national rank of Le Bonheur, as well as in the substantial investment of many parties in children's research. The tri-part collaboration that created the UT West Cancer Center, part of the Methodist Healthcare Family, has also been very successful. In addition, we recently announced the creation of UT Methodist Physicians, and we are well under way with the creation of a UT/MED practice group.

In Chattanooga, we are in discussions with Erlanger Health System about how we align our faculty at that major site. Plus, we are creating a vehicle for faculty practice with St Thomas Health in Nashville. At our major site in Knoxville, the University Physicians Association (UPA) currently meets the needs of the faculty and our hospital partner.

We believe we are very well positioned in the new clinical arena for the long term growth and success of UTHSC through this close alignment with our core teaching hospitals. Vice Chancellor Dr. David Stern and I look forward to discussing the evolution of our clinical practices with the campus in a town hall later this month. An announcement will be distributed shortly with the logistics for the meeting.

Steve J. Schwab, MD
Chancellor

David Stern, MD
Vice Chancellor for Clinical Affairs