



Office of the Provost

TO: W. Taylor Reveley, III, President

FROM: Michael R. Halleran, Provost  
*M. Halleran*

DATE: December 13, 2012

SUBJECT: EVMS Due Diligence Committee Report

On behalf of the EVMS Due Diligence Committee, I send on to our report, unanimously approved, in response to your charge letter of August 13<sup>th</sup>. As you know well, the questions you asked the committee to address are varied, complicated and important. Our report summarizes the issues and core principles undergirding our explorations, describes our chief findings and makes several recommendations to guide the next steps.

Let me take this opportunity to express my appreciation to all the committee members, who contributed significantly to this project.

MRH/cef

Attachment

c: Lizabeth A. Allison, Chair and Professor of Biology  
Robert B. Archibald, Professor of Economics  
Charles A. Banks, III, Vice Rector, W&M Board of Visitors  
Michael R. Deschenes, Chair and Professor, Kinesiology and Health Sciences  
Thomas R. Frantz, Member, W&M Board of Visitors  
James R. Golden, Vice President for Strategic Initiatives  
Charles F. Gressard, Professor of Education and President, Faculty Assembly  
Samuel E. Jones, Vice President for Finance  
Stephen L. Kaattari, CSX Professor of Environmental and Aquatic Animal Health  
Virginia Institute for Marine Science  
Dennis M. Manos, Vice Provost for Research and Graduate/Professional Studies  
Louis F. Rossiter, Research Professor of Public Policy  
Beverly T. Sher, Visiting Assistant Professor/Health Professions Advisor

## EVMS Due Diligence Committee Report December 12, 2012

In response to President Reveley's letter of August 13, 2012, the due diligence committee conducted its exploration of the possibility of Eastern Virginia Medical School (EVMS) becoming part of William & Mary. Over the past four months, the committee met nine times as a committee of the whole; divided into five subcommittees (academic programs, academic culture, organizational structure and legal issues, budgets and health care, and political matters and communication); met with colleagues at EVMS and hosted colleagues from EVMS on our campus; met with Lawrence Furnstahl (CEO of the Oregon University Health System); interviewed several consulting firms and engaged Jared Cohen, former president of the American Association of Medical Colleges, to assist us in evaluating the value proposition of EVMS and W&M affiliating; held an open campus forum; created a website to keep the campus committee informed and to solicit comments; discussed the issues with several campus groups, including the Faculty Assembly, Arts & Sciences faculty and the PSC; and individually had informal conversations with many experts in the field of academic medicine.

Our conversations have been, appropriately, broad-ranging, considering both macro issues of medical education and healthcare delivery in our region, areas of possible synergies between our two institutions and anticipated impacts (positive and negative) of an affiliation – and what the nature of such an affiliation might be.

Let us summarize briefly three broad sets of considerations: namely the "case" for W&M becoming more engaged in healthcare; factors supporting absorbing EVMS; and then those against such a move. First, here is the broad case for W&M becoming more involved in medical and healthcare issues. We are entering the golden age of bio-medical research and, simultaneously, the role of healthcare in our society – in terms of access to high quality care at an affordable price – is growing. (Current estimates suggest that healthcare costs will increase from about 17% of GDP to 23% or more in the next decades.) Most major universities are involved in medicine and healthcare in a significant way. Already a substantial number of our undergraduates go on to pursue degrees in medicine, dentistry and veterinary medicine, as well as advanced degrees in the biological sciences. Some researchers in biology, physics, neuroscience, applied science, kinesiology, education, public policy, business, and VIMS do work in related areas now, and W&M faculty receive NIH funding in several of these fields.

Among the factors that support absorbing EVMS is enhancing W&M's standing and recognition as a university with a breadth of graduate and professional programs more similar to our major peer competitors. An affiliation matches emerging interests in W&M strategic planning in learning in applied settings, interdisciplinary initiatives, and innovative teaching, as well as the Commonwealth's interests in expanded STEM opportunities. It could enhance faculty research

by providing a stronger platform to explore public policy issues in healthcare delivery and improved research activities through collaborations in the sciences, although the increase in NIH funding would, most likely, be modest. An affiliation would provide more research and service opportunities for students, and possible programmatic initiatives (i.e., 7-year BS/MD, MD/MBA, Public Health/MPP). The presence of a medical school could make the College slightly more attractive to prospective students. Finally, over time, under this affiliation, the medical school could strengthen its reputation.

There are also factors that seem to argue against absorbing EVMS, including a lack – to date – of a compelling vision for the undertaking. Concerns also exist around possible mission misalignment: our current emphasis on the liberal arts undergraduate core with a few, select graduate programs is ill-suited to expansion into very different areas (PA program, e.g.). Would this lead to a loss of our niche as an elite liberal arts university and/or create a distraction of time and energy? The current disparity in relative rankings of the College and EVMS and their respective peers could have a negative impact on the College's reputation. Finally, there was significant concern about having sufficient funds to effect the necessary changes and responsibilities of adding a new school to the university and the possible loss of revenues for main campus operations, either directly or in the form of opportunity costs. There was consensus on the committee that absent new funds, a strong affiliation was not worth pursuing. Also, while the issue of a potential clash of cultures was discussed, it was concluded that there was no evidence that this would prove to be a "deal breaker."

Early in this process, we identified several conditions that "must be true" for a union (of some sort) with EVMS to make sense. Among the more salient ones were the following:

- There must be a vision or value proposition that is compelling for W&M, EVMS, the State, and the community.
- An affiliation cannot drain resources from W&M immediately (in transition costs) or in steady state.
  - The W&M budget does not and will not have the revenues to support EVMS as its medical school directly (reduced College resources) or indirectly (by reduction in State support for the main campus because of funding for medical school).
  - Long-term commitments from key partners must be identified and secured, including EVMS's clinical affiliates, the Commonwealth, Sentara, and the Norfolk community.
  - Need to seal off liability and volatility of the healthcare component of medical education so that W&M is not vulnerable.
- An affiliation cannot erode our long-standing brand of academic excellence.
  - Adding EVMS must strengthen our academic programs and standing, which requires a specific strategy or niche.

- The combination of the two units must be structured in a way that allows W&M to influence the success of its new School of Medicine.

### *Summary of our Findings*

- In the course of our exploration, we recognized that W&M's lack of programs in engineering or doctoral programs in the biological sciences, chemistry or psychology and EVMS's modest research arm pose a serious obstacle to successful *significant* expansion of funded research. The likelihood of competing successfully in this realm, the realm in which medical schools are primarily judged, is minuscule, absent a huge investment of resources. At the same time, there is no necessary reason to compete in this arena, and EVMS has a strong record of producing talented doctors, especially in primary care medicine.
- The difference in the university's ranking as a national university and EVMS's as a medical school is considerable, and while one can imagine a boost to the medical school's reputation with the W&M brand, it is not clear that without substantial improvements this halo effect would persist. It remains uncertain that simply adding a medical school, even while giving W&M larger scope, would improve the standing of the College.
- The issue of merging the different cultures (community-based medical school and liberal arts university) did not seem to be problematic, although all recognized that there would be a period of adjustment, as in any such merger, and the significantly higher medical school salaries could be a source of friction.
- While we didn't conduct a full review of EVMS's finances – this came to be seen (rightly) as a second-order, if extremely important, consideration – one critical fact emerged, namely, the two-edged sword of not owning a hospital. The positive edge of the sword is the absence of the considerable vulnerability and volatility associated with hospitals. At the same time, the revenues generated by hospital care are not available to the medical school for its research and educational missions. Medical research and education are extremely expensive and in successful academic medical centers revenues from the hospital fund a non-trivial portion of these operations. Without owning a hospital, it would be imperative for Sentara, as the current affiliate hospital, to commit significant funding to the medical school, beyond its current support.
- As was the case with finances, consideration of organizational structure, while discussed, was tabled for later (form should follow function). It is apparent that across the country many, many different legal and organizational structures exist for academic medical centers, and even within the Commonwealth there are several different relationships between medical schools, universities and the State, and we are confident that an appropriate structure could be developed. From our preliminary discussions, however, emerged the view that to be meaningful, any combination/affiliation must allow the university to manage and incorporate the medical school into the overall

university and not have it as a fundamentally stand-alone entity. The extent of the required affiliation, however, is not clear, and the VIMS model was often offered as more appropriate than, for example, the School of Law model.

- What has not yet emerged from our work is the compelling advantage to W&M or the Commonwealth from a full-fledged union between the two institutions. Nor is there a current problem which such a merger would solve. It is possible that collaboration in the area of healthcare delivery science could attract funding from Sentara and possibly the Commonwealth and allow all parties to contribute to a better balance across healthcare quality, access and cost. It will take some time to explore those possibilities and to judge whether or not they provide a sufficient basis for considering a closer affiliation.
- On both campuses there was considerable and growing consensus that any such merger would require more time to evaluate properly.

### *Recommendations*

The committee recognizes the substantial role that biomedical and healthcare issues will continue to play in our society and the increasing role of universities in dealing with the vast array of issues in these fields—from biomedical research and providing high quality care, to costs (“bending the price curve”), to evaluation and public policy. The critical questions here are 1) what role does W&M want to play in these areas; and 2) what relationship with EVMS (or other institutions)—if any—best supports this role? With all this in mind, the committee recommends a two-fold approach: 1) establish a partnership in “healthcare delivery science” as an area where the combined expertise of EVMS, W&M and Sentara could carve out an important role for addressing these questions for the region and potentially the country; and 2) evaluate whether this program or a larger merger of efforts and organizational structures would strengthen the university. The success of the partnership would, in fact, be part of such an evaluation.

To effect these recommendations, it will be necessary to:

- With BOV approval, pursue this two-fold approach.
- Work with State officials and EVMS to 1) inform them of our plans, and 2) incorporate language into either the Governor’s budget or a bill that would endorse this partnership and, ideally, provide some funding for it. (Subsequent to the committee’s consensus on this point, the Board of Visitors passed a resolution to this effect; resolution is attached.)
- Work with Sentara to ascertain their commitment not just to this idea but to a serious increase in their financial support. It is clear that we need this financial support for success in any partnership with EVMS.
- Identify the individuals (at W&M, EVMS and Sentara) who will lead the partnership efforts, establish a reporting structure and create an advisory body. Needed in this

effort is coordination with the healthcare providers and data analysts within EVMS's clinical affiliates.

- Evaluate the success of the partnership so that we are prepared to make a decision on a stronger/fuller relationship within a set period (two years?).
- Continue, in a modified way, the work of the due diligence committee, including consultations with other Commonwealth universities with medical schools.
- If after further due diligence and experience with the partnership we want to consider a fuller relationship with EVMS, we will need to engage consultants on a 360 review of such a proposal.
- If, on the other hand, further due diligence and the partnership experience argue against a deeper affiliation (or continuing this partnership), be prepared to end the relationship gracefully.

#### *Due Diligence Committee Members*

Michael R. Halleran, Provost, Committee Chair

Lizabeth A. Allison, Chair and Professor of Biology

Robert B. Archibald, Professor of Economics

Charles A. Banks, III, Vice Rector, W&M Board of Visitors

Michael R. Deschenes, Chair and Professor, Kinesiology and Health Sciences

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Attachment

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November 28-30, 2012

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COLLEGE OF WILLIAM & MARY  
REQUEST FOR APPROPRIATION FROM THE  
2013 VIRGINIA GENERAL ASSEMBLY

WHEREAS, William & Mary (W&M) has been engaged in due diligence on possibly forging a substantial affiliation with Eastern Virginia Medical School (EVMS); and,

WHEREAS, the due diligence committee and its EVMS counterpart have identified possible valuable areas of partnership between the two schools;

NOW THEREFORE, BE IT RESOLVED, that the Board of Visitors directs W&M's senior administration to work with the senior leadership at EVMS and submit to the Governor and the General Assembly the following language for consideration in the 2013 General Assembly session:

*The Virginia General Assembly hereby appropriates \$1,000,000 to W&M and EVMS to allow the Boards of Visitors to explore possible increased collaboration and development of integrated academic programs. The two institutions shall address and evaluate options for the appropriate relationship between the two institutions and the clinical affiliates of EVMS to improve the health of the citizens of Greater Hampton Roads and the Commonwealth and to meet the region's healthcare workforce needs.*