

STANDING COMMITTEES

Finance and Asset Management Committee

School of Dentistry Financial UpdateINFORMATION

This item is for information only.

BACKGROUND

The School of Dentistry's Center for Pediatric Dentistry received an Internal Lending Program (ILP) loan of \$12.3 million in 2009 to finance renovations to the WDS Building. The financing agreement included a 1.25x debt service coverage minimum. This requirement has not been met, and the Board of Regents approved an action item in April, 2016 to improve the financial situation of the School.

Since that time, the School's financial condition has worsened.

The School of Dentistry (SOD) carried an accumulated deficit of \$36 million as of the end of fiscal year 2017, which includes all funds, not just self-sustaining clinical funds. Since last spring, the central administration of the University has engaged in a financial oversight phase resulting in significant steps to stem losses within the School.

In addition, the central administration engaged a senior team of academic clinical consultants from Deloitte to analyze the current-state clinical operational model, with an eye to resolving the annual deficit by \$7 million over this fiscal year and next. This work concluded on February 23, 2018, and results are summarized in the attachment, "School of Dentistry Update – March 2018." Additional detail and preliminary financial dashboards will be provided to the Board during the meeting.

Attachment

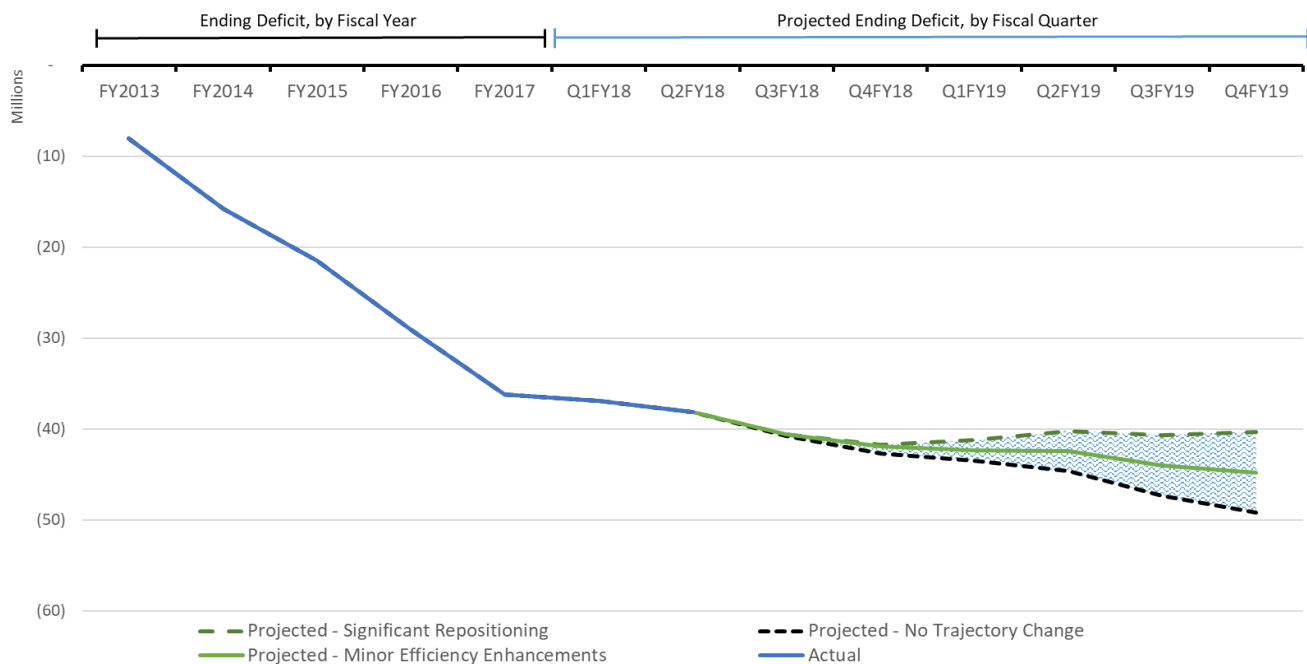
School of Dentistry Financial Update – March 2018

School of Dentistry (SoD)

Financial Update – March, 2018

The School of Dentistry (SoD) is renowned for its preparation of dentists, ranking in the top five nationally. Its quality of patient care and student experience is well-known, but its financial condition is a significant barrier to its continued success. SoD has a \$35 million budget (of which, \$18.4 million is from general and designated operating funds). However, SoD closed FY17 with an \$11 million deficit; and is projected to lose between \$6.7 and \$7.7 million in FY18. Last fall, we estimated that the SoD would lose between \$10 and \$16 million, and that estimate is revised to reflect positive results in spending constraints; collection of Professional Services Supplemental Payment (supplemental payment from the Health Care Authority) and a one-time allocation of gift funding from Children's Hospital. SoD's accumulated debt to the University is projected to grow to roughly \$42 million by the end of FY18.

Figure 1. Accumulated Debt to the University, FY13-FY19 (as projected) ^{1, 2, 3}



Actions Taken Since November, 2017

The School and central administration have been focused on the following mitigation strategies:

1. Engaged in a final, ultimately unsuccessful effort to partner with a community health clinic before initiating plans to close the Center for Pediatric Dentistry and move its required clinical operations back to campus⁴;
2. Established a clear link between activities and funding sources, while working to enhance the FY18 approach;
3. Announced closure of the Faculty Practice Plan, initiated patient communication, and clinic wind-down protocol for faculty practices⁴;
4. Finalized alignment of administrative expenses through Administrative Supplements (ADS)⁴;
5. Finalizing Phase I re-organization of staff;
6. Initiated review of doctor of dental surgery (DDS) curriculum⁴;
7. Notified all faculty on annual appointments of potential non-renewal; and
8. Maintained hiring and spending constraints put into place last year at this time.

These steps will only stem the annual deficit; and, though expected savings between \$600,000 and \$1,000,000 may be realized, more steps are required. As a result, central administration engaged a team of academic clinical consultants to review the clinical operations model, including: revenue cycle; operations and staffing model; indirect cost allocation model; communication and data resources; and, compensation model for faculty.

¹Projected – no trajectory change assumes a “business as usual” approach

²Projected – minor efficiency enhancements assumes the continuation of existing financial stability actions and a focus on revenue cycle efficiency

³Projected – significant repositioning assumes significant restructuring of SoD operations, in addition to revenue cycle efficiency enhancements

⁴Recommendation provided wholly or partially from the SoD Elected Faculty Council, SoD Solution Team, and/or SoD Curriculum Committee.

School of Dentistry (SoD)

Next Steps

Acting upon recommendations from Deloitte, the Elected Faculty Council, and others, the following steps are required to bring revenues and expenses closer into alignment:

1. **Change and Communication** in order to engage faculty, staff and students to adopt new initiatives and galvanize/enable changes required to meet financial targets. This work will include thorough and regular communication with Faculty Council, Student Council and staff; regular 1:1 meetings between the deans/chairs and chairs/faculty.
2. **Budgeting and Financial Reporting** to document financial processes to improve the school's revenue cycle through design and roll-out of budgetary updates for the dean, chairs, central administration and the Board of Regents. Implementation of these financial reports is underway and concepts will be shared with the Board at its March meeting.
3. **Resource Alignment** to ensure production and resources – including faculty, staff and chairs – correlate staffing to production, in alignment with financial goals and metrics. SoD and departmental management skills are required to agree and act on targets. If adopted, accountability up and down the organization would be realized in monthly meetings between faculty and chairs, chairs and dean, dean and central administration.
4. **Faculty Operations and Expectations** will shift over time from stand-alone models, to a one-clinic model, with transparency of departmental and clinic financials to empower decision-making and accountability. Chairs would manage, lead and maximize departmental and clinical financial results, in alignment with goals set by the dean and the central administration.
5. **Clinic Operations** could be standardized to improve efficiency and prepare staff for a one-clinic model. Simple, easily adopted protocol would be enforced as front desk and clinic support staff standardize patient registration, insurance verification, pre-authorization, insurance verification, and agreement to pay documentation procedures. Clinic staffing model could reflect a one-clinic model, with opportunities for professional development and training, improved cost containment and patient support services. Additional staffing re-organization phases will continue to emphasize these areas, while reducing clinical administration overhead that falls to clinics' budgets. Additionally, the faculty practice plan will be rewritten and account better for time-allocation expectations, set through annual meetings. Further, indirect cost allocation procedures and methodologies may be enhanced, moving toward the leading practice of allocating indirect costs based on the School's relative value units, or RVUs.

Ongoing work with the Commission on Dental Accreditation (CODA) is required to ensure that the School remain in compliance with financial and programmatic requirements.

Clinic Operations Review

In addition to the above steps listed in time order sequence, outside consultants confirmed that an assessment of clinic and departmental mission and delivery was critical. By December 2018, the School should have designed and worked toward implementing a residency and clinic program strategy. Doing so will require difficult conversations around mission and program delivery, with an eye to prioritizing the clinical and residency programs of the School and following through with the required consolidations and closures to achieve savings and begin to work toward repaying the debt owed to the University.

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²Projected – minor efficiency enhancements assumes the continuation of existing financial stability actions and a focus on revenue cycle efficiency

³Projected – significant repositioning assumes significant restructuring of SoD operations, in addition to revenue cycle efficiency enhancements

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School of Dentistry

Deficit Status Update

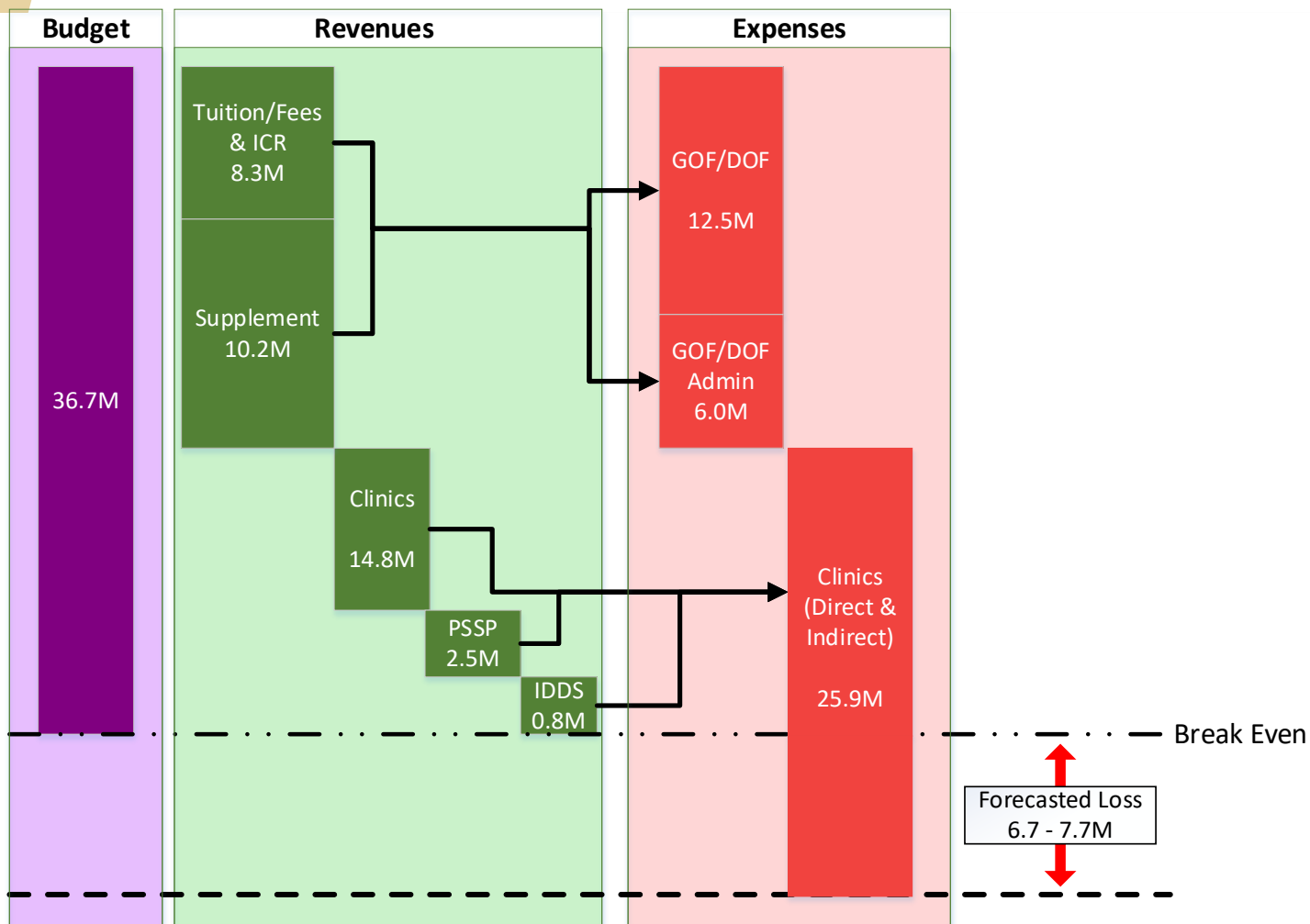
March 2018



Overview

- > In FY17, the School's deficit grew \$11M, from \$25 to \$36 million
- > In November, 2017, we projected a loss between \$10 and \$16 million
- > Since November, we refined the projection to \$6.7 and \$7.7 million loss this year
- > Accumulated debt projection \$42M (FYE18)

UWSOD FY18 Revenue and Expense Visualization



Acronyms

Tuition/Fees – ABB Allocation of Net Operating Fees and Miscellaneous Fees

ICR – Indirect Cost Recovery

PSSP - Professional Services Supplemental Payments (Medicaid)

IDDS – International DDS Program

Important Truths about the SoD

- > The School is subsidized by tuition from other tuition categories, and state appropriations; and, its supplement from these sources is second highest at the UW
- > The School is treated the same as every school or college in terms of its tuition distribution
- > The clinics generate a loss between \$6.7 and \$7.7 million dollars, due to high overhead and insufficient revenues

Good News about the SoD

- > Recently ranked No. 4 in the United States – up from No. 5 last year
- > Ranked No. 14 in the world in the Quacquarelli Symonds World University Rankings
- > Reflects the decades-long tradition of excellence
- > Confirms the great respect the School continues to enjoy both in the United States and around the world

Summary of Actions Taken November 2017 to February 2018

> Steps Taken Since November 2017

- Faculty Practice Plan Closed – New Plan in Development
- Clinical Operation Wind Down for Faculty Practices
- Admin Supplements Reduced by 50%
- Hiring Authority Maintained by AVP, Planning & Budgeting
- Spending Constraints Maintained by Dean's Office
- Phase I Re-organization Nearly Complete
- Hired and Concluded Engagement with Deloitte Consulting to Review Clinical Operations, Overhead and Staffing Models, Overall Financial Situation
- Engaged in an unsuccessful attempt to partner with a community clinic at the Ctr. For Pediatric Dentistry

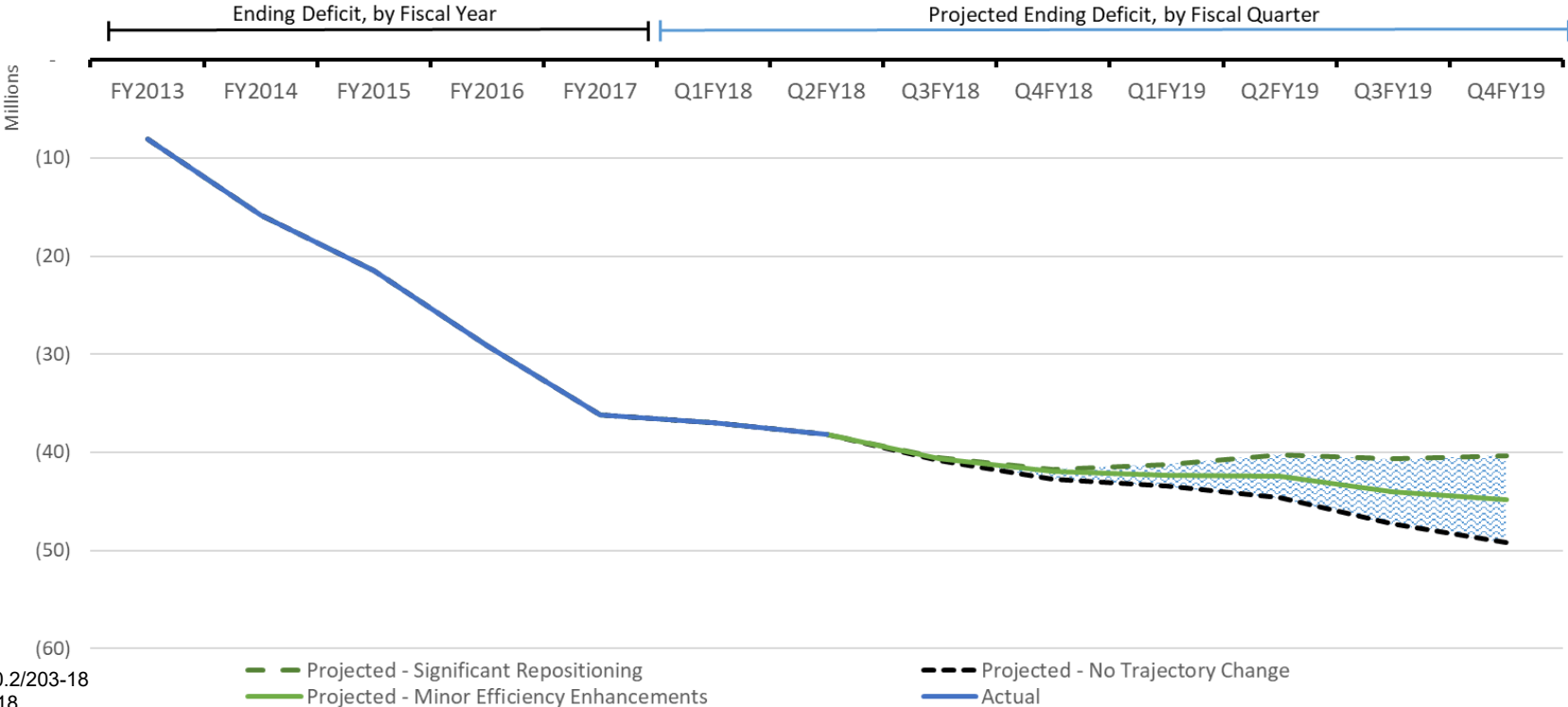
UW SoD Actuals and Projections FY18/FY19

> Highlights

- Initial PSSP Payment Received October 17
- Q2 Expense Under Budget

> Lowlight

- Clinic revenue trending better than plan, but insufficient to cover operating expense



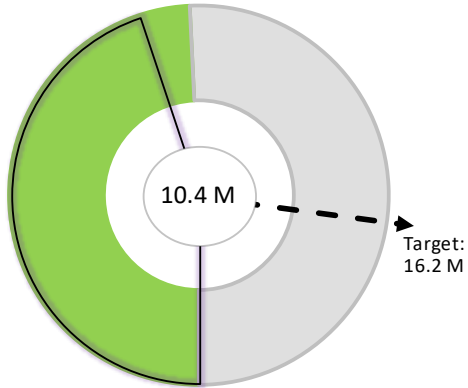
Next Steps

- > To resolve the deficit spending fully, Deloitte report confirmed our next steps:
 - Change and Communication
 - Budgeting and Financial Reporting
 - Resource Alignment
 - Faculty Operations and Expectations
 - Clinic Operations

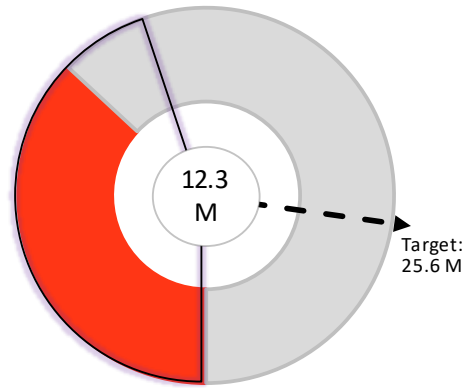
- > Clinic-by-clinic and department-by-department assessment of mission alignment by December, 2018

- > FY19 budget process underway

Revenue to Date

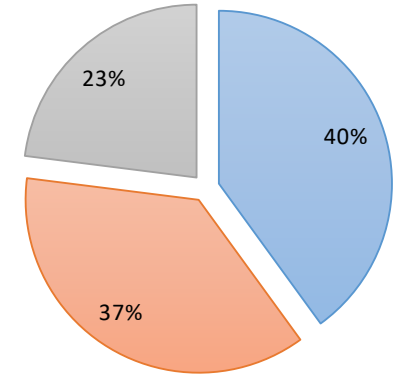


Expenses to Date



Receivables Aging

< 30 Days 31 - 60 Days > 60 Days

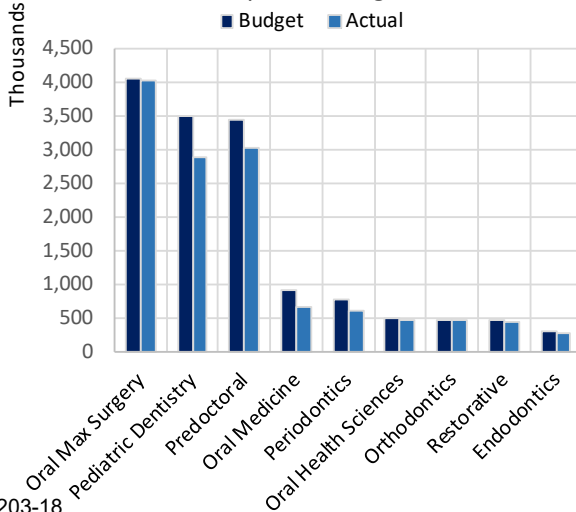


●	Month to Month	73.8% Above Prior Month
●	Year to Date	10.0% Ahead of Target for FY 2018

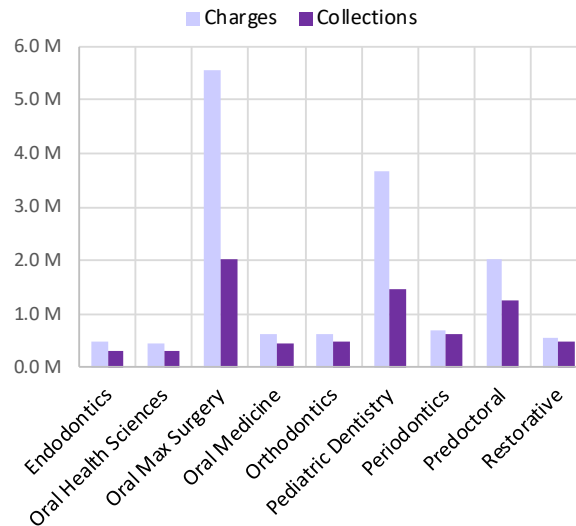
●	Month to Month	26.0% Above Prior Month
●	Year to Date	17.7% Under Target for FY 2018

MoM	<30	31-60	>60
Trend	● 0.0%	● 0%	● 0%

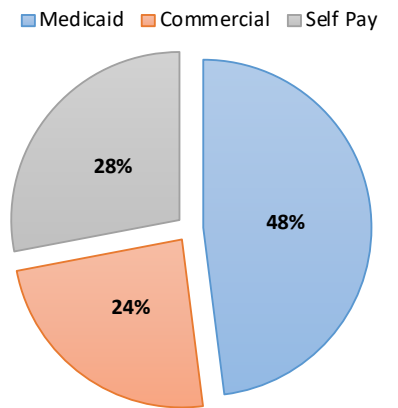
YTD Expense Budget to Actual



YTD Charges to Collections



Payer Mix



MoM	Medi	Comm	Self
Trend	● 0.0%	● 0%	● 0%

Next Steps by SoD Management

- > Further Enhancements to Key Performance Indicators (KPI) on School-wide Financial and Operational Dashboards
- > Additional Phases of Re-organization
- > FY19 Budget Development Focus, with an immediate pivot to clinic/residency program strategy development and implementation
- > Enhance Indirect Cost Methodology

Clinical & Financial Operational Support Assessment

DRAFT

February 23, 2018



ATTACHMENT 3

F-10.3/203-18
3/8/18
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Executive Summary

Objectives

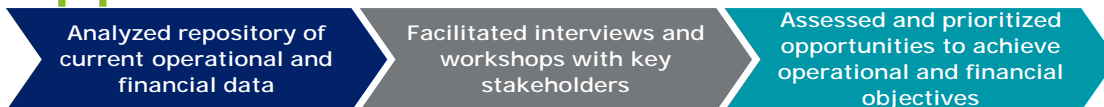
This report outlines findings from a five week exercise to identify impactful operational and financial improvement opportunities throughout the University of Washington (UW) School of Dentistry (SoD)

engagement Scope

Deloitte Consulting was engaged to conduct a five week assessment, focused on:

- Analysis of current-state clinical operational model which included:
 - Organizational and reporting structure for departments
 - Clinical staffing models and processes
 - Interaction between clinics/departments
 - Resource utilization
 - Overall documentation of clinic operations processes and procedures
- Analysis of current-state financial operational model, which included:
 - Review of organizational and reporting structure with an eye to enhance UW SoD's ability to provide controls and clarity of roles
 - Review of current budgeting process
 - Review of indirect cost (shared services) allocation model
 - Overall documentation of financial operations processes and procedures and review of documentation and data in UW SoD's financial accounting system

tailored Approach



desired OUTCOMES

- 1 An organizational structure for both clinic and financial operations
- 2 Consolidation of clinic and clinic support activities
- 3 A clinic staffing model with flexibility
- 4 An indirect cost allocation model
- 5 A resource model for adequate support for financial operations
- 6 Compensation related to faculty practice model

Engagement Overview & Results

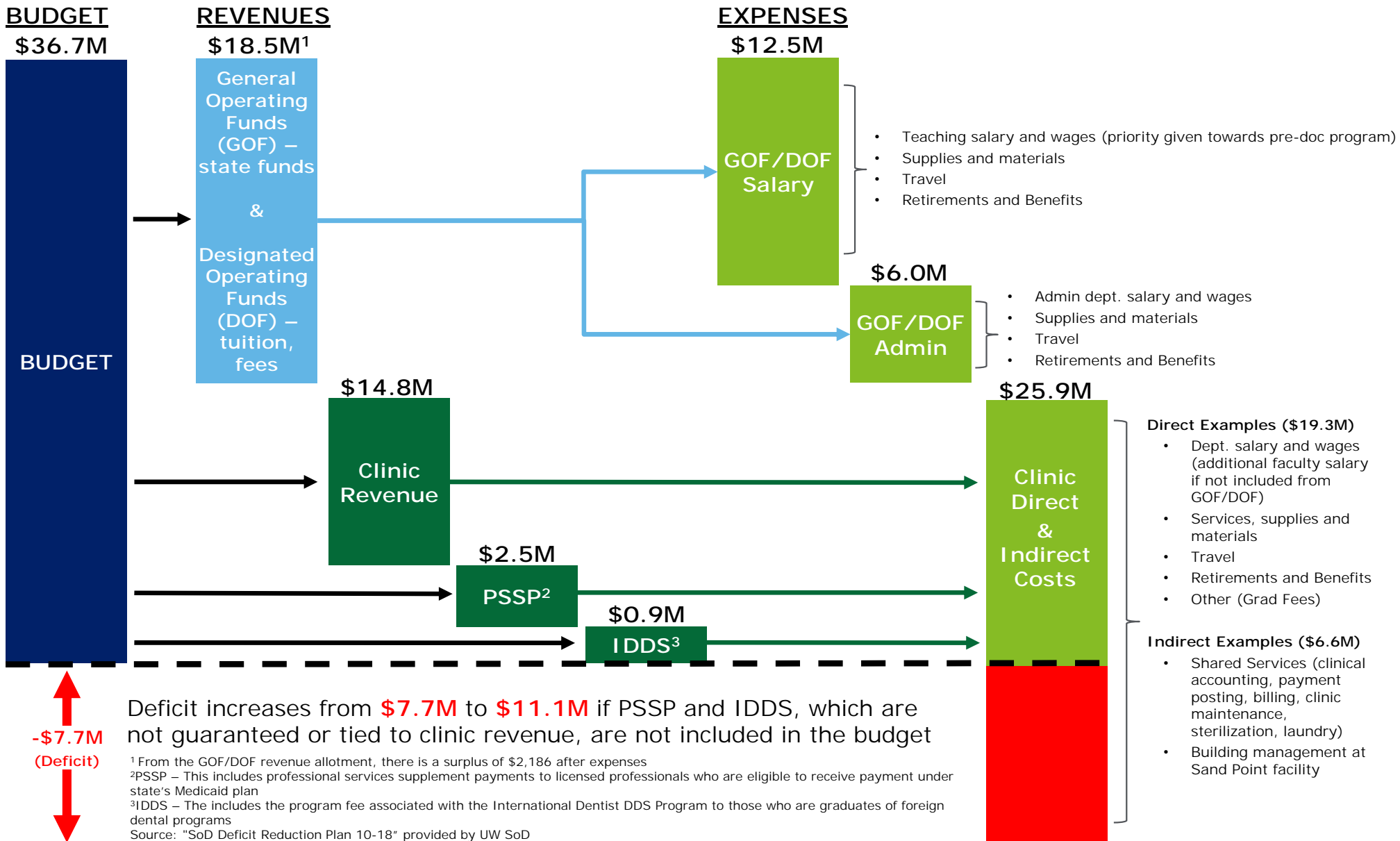
This engagement identified potential opportunities, centered around five critical areas of focus, to position UW and the SoD to address their financial and operational goals – including a reduction in the deficit by \$2M in FY18 and another \$5M in FY19

- **The SoD is tracking to a projected deficit of \$7.7M to \$11.1M** with just over four months left in FY18 (and recent department level results reveal that deficits may be more than this)
- Through a concurrent data review, interview process, and with the above current financial landscape understanding, **SoD leadership agreed on five critical areas of focus:**
 1. **Change and Communication** in order to engage faculty and staff to adopt new initiatives designed to improve clinical and financial operations.
 2. **Budgeting and Financial Reporting** to breakthrough department silos, promote transparency, and rebuild trust.
 3. **Resource Alignment** to correlate clinic staffing models and SoD production.
 4. **Faculty Operations and Expectation** to align faculty and leadership on the vision and focus of the SoD with transparent and well socialized goals and targets.
 5. **Clinic Operations Standardization** to alleviate confusion, improve patient experience, facilitate sharing of best practices, increase efficiency, enable growth, and allow for staffing adjustments across all clinics, as needed.
- Opportunities in the above critical areas were identified and **prioritized on an implementation roadmap** with target milestones to support the financial and operational goals set by UW and the SoD, which **includes a reduction in the deficit of \$2M in FY18 and another \$5M in FY19**
- In order to reach these goals, difficult decisions will have to be made and the **SoD will need strong leadership, accountability, increased transparency, and effective monitoring tools to achieve the full opportunity benefits**

Detailed Findings & Opportunities

Current Financial Landscape

The first step towards understanding the challenging UW SoD financial environment was to document how the current state revenues and expenses are budgeted/allocated in FY18, which resulted in a projected deficit of \$7.7M to \$11.1M



Data & Interview Findings

Data was analyzed and interviews were conducted with over a dozen UW and SoD stakeholders (see appendix for list) to further understand the current financial environment. The following key themes emerged and were validated with quantitative data where possible:

Clinician engagement and change management have not been a focus in previous initiatives. Changes have come from leadership in the past and have had mixed results in their execution.

UW SoD yielded a \$7.1M annual deficit in FY17, bringing the cumulative deficit to \$36M. The Provost implemented a zero-based budget process to identify actual operating costs during FY17 to be implemented in FY18. This allowed a **refresh of the budget to thoroughly assess realistic expenses and projections overall** and plan for upcoming initiatives going forward. (See prior slide for FY18 projected deficit)

Budgets are managed in silos. Historically, the school carried over 15-18% of the GOF/DOF budget but had a deficit in the clinics. **Budgets were not monitored and actuals-to-budget were not reported**, therefore this disconnect was difficult to identify. Department Chairs are required to review their budget monthly and report any variances, however, it is unknown if this is occurring with consistency. Furthermore, **transparency and ability to track budget and financials across clinics is lacking.**

While there are certain clinic metrics and reports available online, **financial KPIs are not clearly defined**, consistently monitored, or aligned to overall/individual goals. Additionally, there is **not a well developed and transparent dashboard to track and trend** performance and progress.

Many clinics have aging facilities and equipment which represent a tremendous outstanding liability. Necessary facility and equipment upgrades are currently unfunded. Additionally, IT infrastructure and associated upgrades to remain competitive and relevant to industry norms will most likely be needed.

Data & Interview Findings (Cont'd)

Data was analyzed and interviews were conducted with over a dozen UW and SoD stakeholders (see appendix for list) to further understand the current financial environment. The following key themes emerged and were validated with quantitative data where possible:

Multiple clinics are **not profitable and are operating in a deficit**. This is due, in some cases, to overstaffing, high Medicaid payer mix, and/or a new overhead allocation model based upon production, which attributes salary and other overhead expenses to clinic budgets (that were previously not allocated anywhere). Some clinics with a high Medicaid population are **unable to balance their budget with this new overhead allocation model given they have high production matched with lower reimbursement rates**.

Per the UW Faculty Code, department chairs are required to have an annual conference with faculty to set expectations and parameters around the amount of time that should be allocated to research, teaching, and clinical practice. **Currently, this is not consistently taking place which has led to faculty time spent on unfunded research** in some cases.

Faculty are afforded one day a week to practice either off campus or in the Faculty Practice clinic. Historically, the Faculty Practice clinic **has been operating at a deficit, yet some revenue payments were still being made to faculty**. However, these payments have been modified (and in some instances discontinued) in October 2017 and there are **steps in place to close and redesign the Faculty Practice model**. Faculty have been notified to start winding down existing cases and should not be accepting new patients (e.g. the FEARS and OMFS Prosthodontics clinics are scheduled to close April 30th).

Administrative Supplements compensation is not regulated or well understood. The original purpose was to supplement base salary for work/activities done above and beyond the faculties' daily responsibilities. The administrative supplements totaled \$980K but have recently been cut by almost 50%.

Data & Interview Findings (Cont'd)

Data was analyzed and interviews were conducted with over a dozen UW and SoD stakeholders (see appendix for list) to further understand the current financial environment. The following key themes emerged and were validated with quantitative data where possible:

The staffing model is not consistent across clinics and **support staff are not cross-trained. Patient volumes in some clinics do not support current staffing** (e.g. a clinic planned for one dental assistant per chair but volumes support half this level of staffing) while other clinics may have to cancel appointments due to lack of staff (i.e. PTO, sick calls, open positions, etc.). Clinic leadership and faculty appear to feel protective of their support staff and are averse to a "float pool" model due to lack of confidence and unknown skillset, which is even more evident in certain specialties. Furthermore, considerations in regards to union contracts and negotiations may complicate a solution.

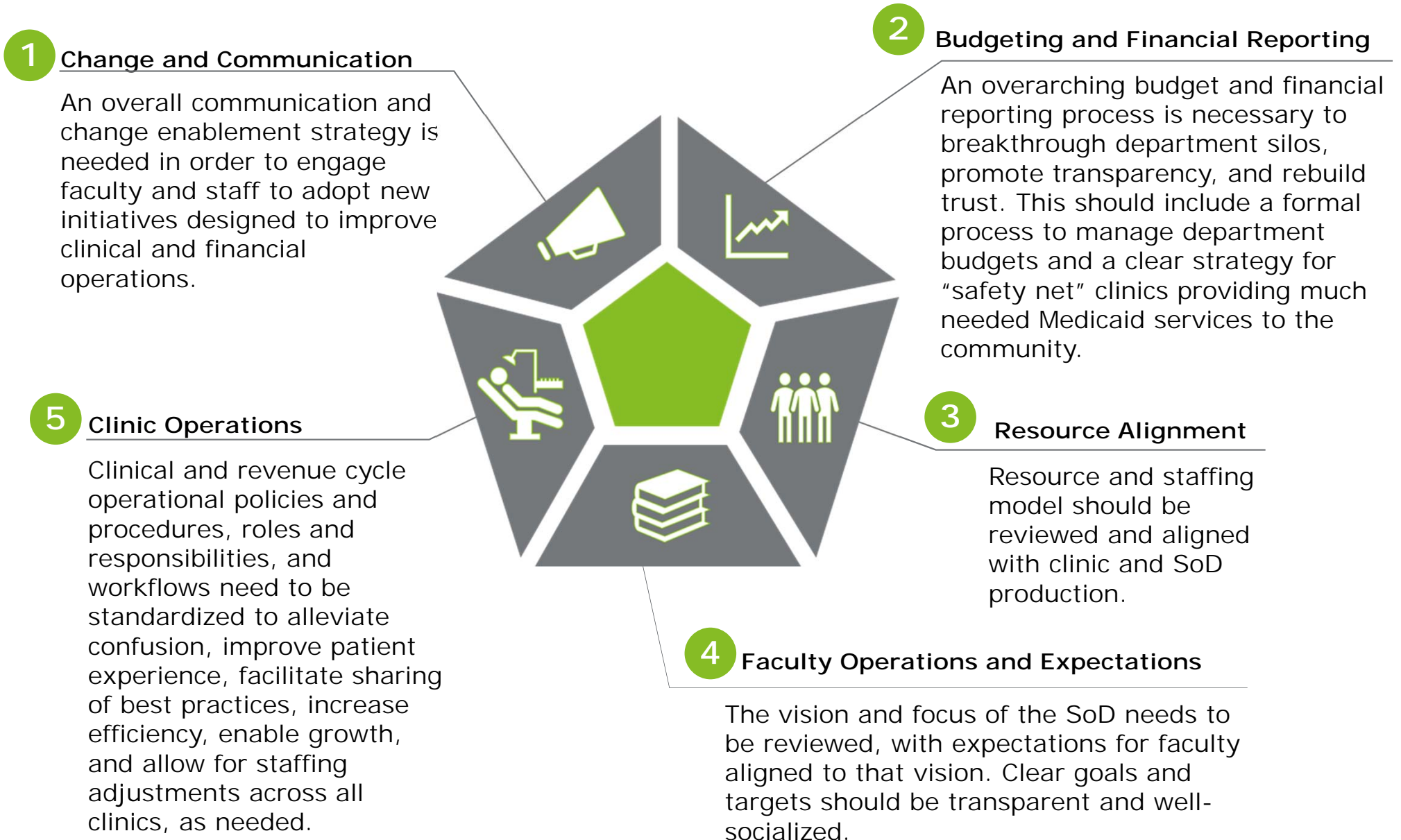
The operating model in the Pre-Doc Clinic was adjusted in the vision of the "One Clinic" model three years ago with recent adjustments made to the model. While this model does seem to be working, it appears to be **top heavy with multiple layers of management, resulting in duplicative efforts and oversight.**

While clinic support operations have been standardized in the Pre-Doc Clinics and are continuing to be refined, the **Graduate, Residency, and Faculty Clinics are not standardized and operate as stand-alone entities.** This lack of standardization **extends to payer contracts** which can be confusing for patients and staff, and **has resulted in lost revenue** (e.g. billing department processes claims for out-of-network payers, reimbursement funds are sent to the patient rather than the school, etc.). Furthermore, **job duties vary from clinic to clinic** which will make cross-training increasingly difficult.

Compliance needs to be a continued focus to ensure that licensure scope, student scope, billing practices, and adequate documentation remain an integral part of the SoD's objectives and initiatives going forward.

Critical Areas of Focus

Five critical areas of focus to improve the clinical and financial operations at the SoD were identified both through data analysis and interviews



Opportunity Identification in Critical Areas of Focus

Opportunities were identified and grouped to enable and produce financial impact within each of the five critical areas of focus

Change and Communication

Change Enablement and Communication

Establish a change enablement program, focused on engaging faculty, repairing relationships, building trust, and breaking down the department/clinic silos to promote a collaborative "One Clinic" model across the SoD. This will be key to set up and kick-off prior to beginning other opportunities.

Budgeting and Financial Reporting

Budgeting and Financial Reporting

Design a budget monitoring process that promotes transparency across departments, clinics, and programs. Escalation criteria and thresholds should be defined, and a feedback loop established with consequences to hold appropriate parties accountable.

KPI Dashboard

Define standard KPIs across clinics and SoD, and develop clear dashboards for ease of reference with alerts for critical values/data (see appendix for examples).

Opportunity Identification in Critical Areas of Focus (Cont'd.)

Opportunities were identified and grouped to enable and produce financial impact within each of the five critical areas of focus

Resource Alignment	
Resource Alignment	Review faculty, admin, and professional staff alignment to production, identifying opportunities to optimize staffing and contain costs. Some alignment efforts are already in process.
Resource Alignment: Clinic Support Float Pool	Cross-train clinic staff so they can be utilized in other clinics when patient volumes do not support staffing levels in their home clinic.
Resource Alignment: Overarching Governance	Establish an overarching cohesive governance structure with escalation criteria and a change request process. Document a RACI, identifying those <u>R</u> esponsible, <u>A</u> ccountable, <u>C</u> onsulted, and <u>I</u> nformed for key operational duties (i.e. who can fill open positions?), policies, compliance, and procedures.
Faculty Operations and Expectations	
SoD Vision, Emphasis, and Focus	Align the overall vision for the SoD with goals and priorities (i.e. emphasis on research versus teaching), documenting policies, expectations, and targets based upon this vision.
Expectations of Department Chairs	Review UW Faculty Code, holding department chairs accountable for meeting regularly with faculty to discuss and document goals pertaining to the time allocation with respect to teaching, research, and practice.
Performance Incentive Program	Develop a transparent incentive program, where faculty/departments will be rewarded for high productivity if the SoD as a whole achieves its financial goal. This program should be clearly defined with thresholds and targets tied to incentives (whether monetary or program rewards – i.e. travel conference) based upon performance.

Opportunity Identification in Critical Areas of Focus (Cont'd.)

Opportunities were identified and grouped to enable and produce financial impact within each of the five critical areas of focus

Clinic Operations	
Overarching Financial Strategy	Create an overarching financial strategy that takes into consideration "safety net" clinics by analyzing current payer mix across clinics and allocates funds appropriately to offset "safety net" losses. Consider opportunities for revenue-generating growth as part of the multi-year strategy.
Residency Program Strategy	Conduct deep dive analysis of residency programs with consideration of revenue loss and expenses (e.g. debt redemption, rent, tenured faculty salaries, etc.) that will need to be re-allocated elsewhere in the event that residency program(s) are paused or closed (see appendix for FY18 Annualized Deficit Analysis by Department)
Front Desk Workflows and Processes	Standardize front desk practices and adherence, including but not limited to patient information update, agreement to pay, insurance verification, pre-authorization, and appointment confirmation.
Clinic Support Staff Job Duties and Workflows	Standardize job duties and responsibilities for clinic support staff (e.g. assistants, hygienists, technicians, etc.) across all clinics, keeping in mind requirements for specialty clinics and union contracts.
Payer Contract Management Process	Analyze existing payer contracts and potential impacts to change. Standardize contracted payers across all clinics and implement a overarching payer contract management process.
Best Practice Collaboration	Create a collaborative cross-clinic forum to train staff and promote sharing of best practices/lessons learned.

Opportunity Prioritization & Benefits

Prioritization Workshop Objective

Select members from UW and SoD leadership collaboratively assessed and prioritized identified opportunities during an interactive session on 2/14/18

Opportunity Prioritization Session Overview



Customization: Opportunities focused on operational and financial areas of concern based on findings from interviews and data collection process



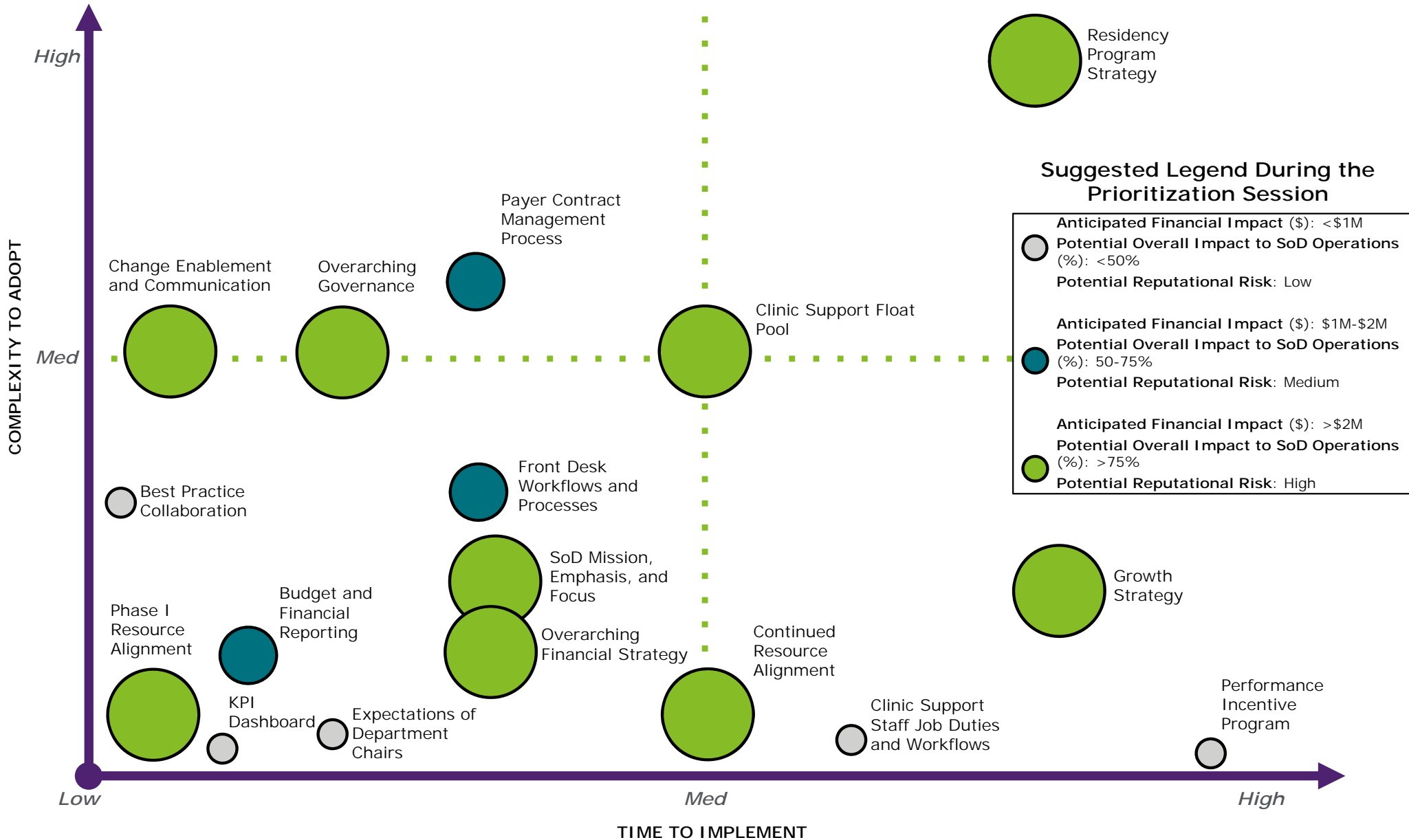
Preparation: UW and SoD leadership selected prioritization workshop participants who would represent their broader SoD colleagues during discussions and drive towards decisions based on the complex range of opportunities presented



Comprehensiveness: UW and SoD leadership ultimately reached consensus on a prioritized ranking of each of the opportunities in terms of impact, complexity to adopt, and time to implement

Opportunity Prioritization: Overall Results

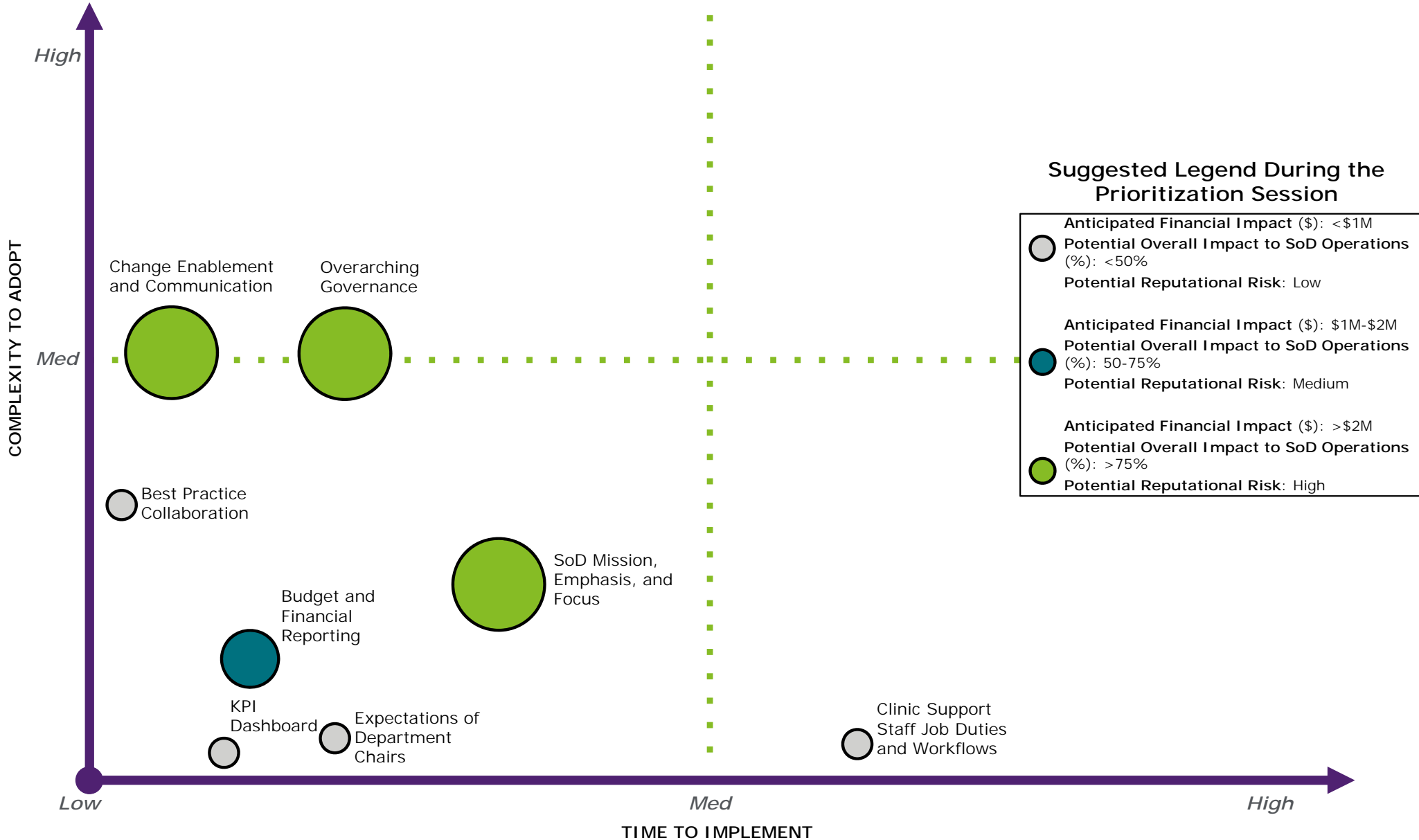
The identified opportunities in the critical areas of focus were prioritized according to the level impact, complexity, and time to implement



Source: Select members from UW and SoD leadership collaboratively assessed and prioritized identified opportunities during an interactive session on 2/14/18
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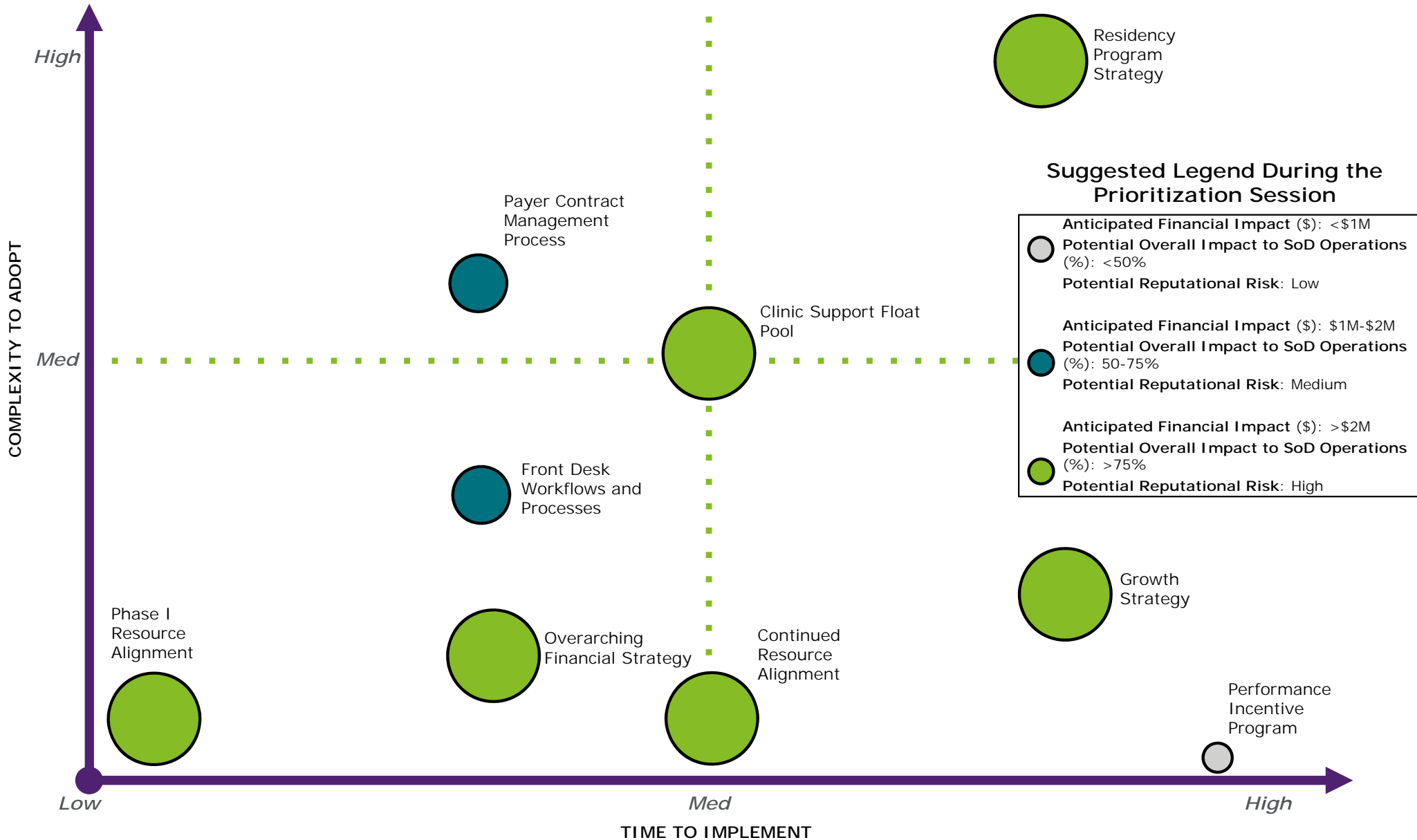
Opportunity Prioritization: Enablement Impact View

This view shows those enablement opportunities that will support the SoD operationally to achieve the financial opportunities on the next slide



Opportunity Prioritization: Financial Impact View

This view shows those opportunities with a financial impact to the SoD, enabled by the opportunities on the prior slide



Opportunity Prioritization: Anticipated Benefit Calculation

High level anticipated benefits were calculated for opportunities with financial impact based upon data provided by the UW SoD, industry experience, and publically available benchmarks. These calculations identified potential benefits totaling \$761K - \$986K in FY18 and \$4.4M - \$8.9 in FY19 (detailed calculations in appendix)

	Potential Annual Benefit	FY18 (Partial)	FY19
Resource Alignment	\$3.2M ¹	Faculty Attrition: \$94K Staff Alignment: \$367K Total: \$461K	Faculty Alignment: \$1M Staff Alignment: \$2.2M Total: \$3.2M
Clinic Operations: Support Staff Standardization	Included above	Included above	Included above
Clinic Operations: Revenue Cycle Standardization	\$1.1M ²	\$275K	\$1.1M
Clinic Operations: Residency Program Evaluation	\$0 - \$3.5M	\$0M	\$0 - \$3.5M
Clinic Operations: Clinic Financial and Growth Strategy	\$100K for every 1% shift in payer mix from Medicaid to Commercial ³	\$25K - \$250K (1% - 10% shift)	\$100K - \$1M (1% - 10% shift)
	ANTICIPATED BENEFIT:	\$761K - \$986K	\$4.4M - \$8.9M

¹ Data provided by UW SoD resource alignment plan 2/2018

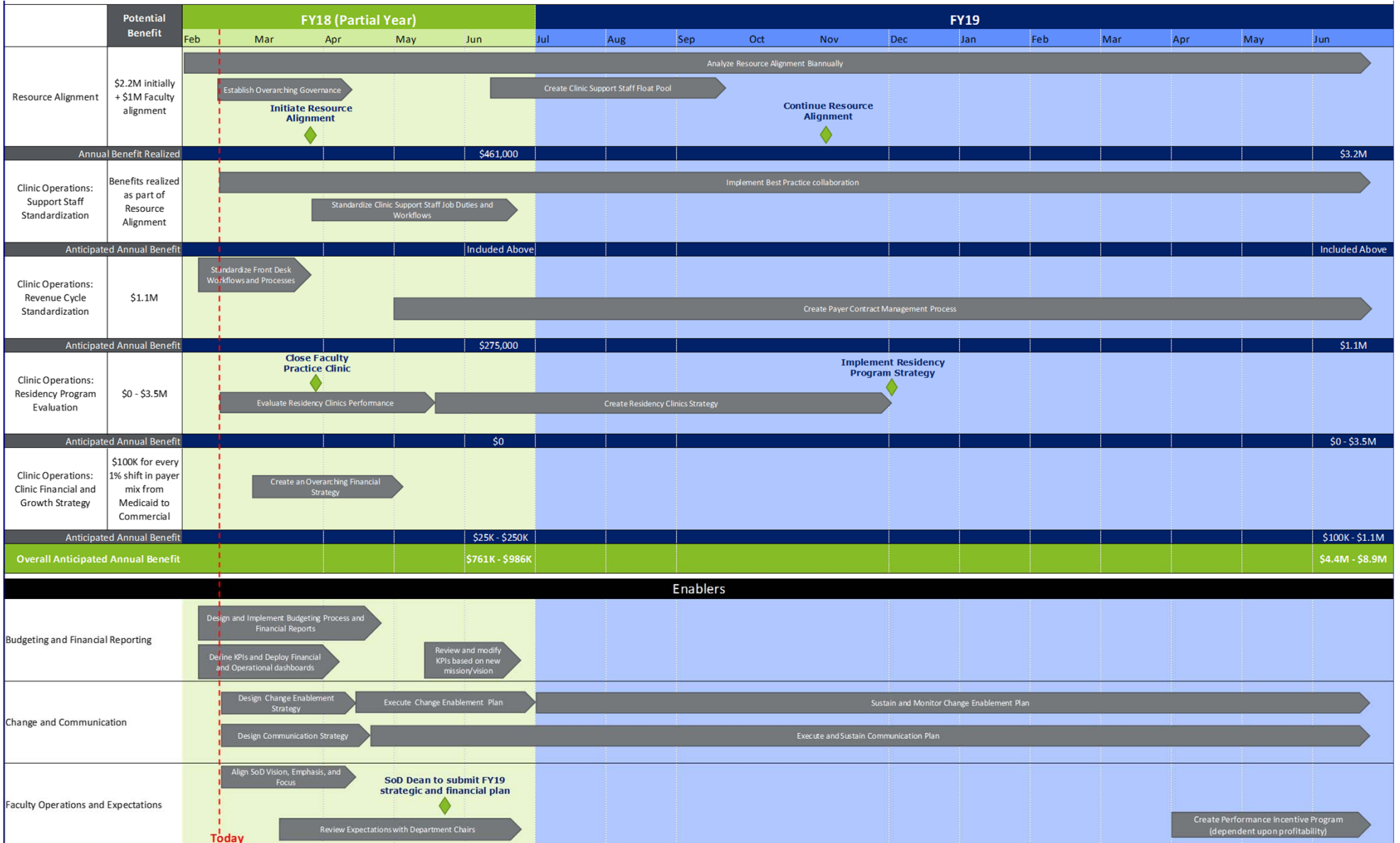
² Data provided by UW SoD as missed revenue due to preventable denials, agreement to pay, and other revenue cycle standardization 2/2018

³ From "SoD Deficit Reduction Plan 10-18" and "2017-03-F-4_March_2017_SABRe_SOD " and "Medicaid Fee-For-Service Reimbursement Rates for Child and Adult Dental Care Services for all States, 2016. Health Policy Institute."

Next Steps



Implementation Roadmap

In order to successfully implement the opportunities, high level steps have been plotted out for the remainder of FY18 through FY19 to identify the milestones that must be reached to achieve the financial and operational goals of UW and the SoD









Implementation Next Steps: Change and Communication

A high-level implementation strategy has been developed for the five critical areas of focus to support UW and the SoD as they embark on this important journey which starts with an enabling first step of Change and Communication

Expected Outcomes	What is the Opportunity?	How is it Attained?
<ul style="list-style-type: none"> Faculty and staff feel heard and consulted Improved collaboration between faculty and management Culture shifts from a “stand-alone clinic” mentality to a “One Clinic” model 	<ul style="list-style-type: none"> Establish a change enablement program, focused on engaging faculty, repairing relationships, building trust, and breaking down the department/clinic silos to promote a collaborative “One Clinic” model across the SoD This will be key to set up and kick-off prior to beginning other opportunities 	<p>Perform stakeholder analysis and identify influential individuals to:</p> <ul style="list-style-type: none"> Assess the level of resistance Determine how to get the affected stakeholders to the level of commitment needed to be successful Utilize established Faculty Council as an advisory group to champion improvement opportunity initiatives <p>Assess adoption and change readiness to:</p> <ul style="list-style-type: none"> Measure the readiness of the organization for the change Identify potential barriers or risks that could jeopardize the success of the change <p>Develop a communication strategy, including:</p> <ul style="list-style-type: none"> Regular 1:1 meetings between the Dean/Chairs and Chairs/Faculty Develop a consolidated plan for communication activities based upon audience and vehicle analyses and the overall project plan
How is it Measured?	Time to Implement	
<ul style="list-style-type: none"> Readiness surveys Feedback loops during Dean/Chairs and Chairs/Faculty meetings 	 <p>Low Medium High</p>	
Potential Drawbacks	Impact	
<ul style="list-style-type: none"> Relationships with some faculty and staff may be beyond the point of mending 	 <p>Low Medium High</p>	



Implementation Next Steps: Budgeting and Financial Reporting

Formally documenting financial processes with success criteria will help to establish trust and enable early identification of financial concerns

Expected Outcomes	What is the Opportunity?	How is it Attained?
<ul style="list-style-type: none"> Open and honest communication with and between department Chairs regarding budget Clear goals and expectations of Dean, Chair, Faculty, and Staff are clearly defined to fairly assess productivity and revenue 	<ul style="list-style-type: none"> Design of an overarching financial strategy is required to breakthrough department silos, promote transparency, and rebuild trust This should include a formal process to manage department budgets and a clear strategy for "safety net" clinics providing much needed Medicaid services to the community 	<ul style="list-style-type: none"> Run scenarios on different allocation methodologies for how overhead and faculty salary support are applied to each department prior to finalizing major financial next steps To increase transparency, and in the spirit of "One Clinic" model, distribute regular budgetary updates and financial/operational dashboards to Dean and all Chairs and Faculty Analyze current payer mix, with special attention to "safety net" clinics
How is it Measured?	Time to Implement	
<ul style="list-style-type: none"> Variance improvement Month-to-month trend Annual expectation 	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  Low </div> <div style="text-align: center;">  Medium </div> <div style="text-align: center;">  High </div> </div>	
Potential Drawbacks	Impact	
<ul style="list-style-type: none"> Adoption for standardized process Increased learning curve 	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  Low </div> <div style="text-align: center;">  Medium </div> <div style="text-align: center;">  High </div> </div>	



Implementation Next Steps: Resource Alignment

Evaluating leadership and realigning resources to production, from faculty to support staff, is required to correlate staffing to production across clinics

Expected Outcomes	What is the Opportunity?	How is it Attained?
<ul style="list-style-type: none"> • Clear understanding and expectations across SoD, from front-line staff up through leadership • Potential benefit of staffing alignment could be \$3.2M annually • Increased ability to manage clinic patient volumes and accommodate PTO and sick calls 	<ul style="list-style-type: none"> • SoD and department leaders should be evaluated for ability to execute change and deliver financial results • Resource and staffing model should be reviewed and aligned with clinic and SoD production regularly 	<ul style="list-style-type: none"> • Evaluation of SoD and Department leadership management skills to determine alignment with agreed upon go-forward direction and ability to develop followership and execute change • Consider adding a “Chief of Staff” or “Change Agent” to the Dean tasked with overseeing and monitoring implementation with granted authority to act on behalf of the Dean • Cross-train clinic staff so they can be utilized in other clinics when patient volumes do not support staffing levels in their home clinic • Re-define a formal SoD governance structure with Department Chair accountability, escalation criteria and a change request process • Document a RACI, identifying those <u>R</u>esponsible, <u>A</u>ccountable, <u>C</u>onsulted, and <u>I</u>nformed for key operational duties, compliance, policies, and procedures • Review faculty, admin, and professional staff alignment to production, identifying opportunities to reduce force and contain costs (Note: some of these alignment efforts are already in process)
How is it Measured?	Time to Implement	
<ul style="list-style-type: none"> • Improved productivity in clinics • Budget alignment • Increased cost containment 	 <p style="text-align: center;">Low Medium High</p>	
Potential Drawbacks	Impact	
<ul style="list-style-type: none"> • Decrease in morale with job reduction • Pushback from faculty on sharing staff through float pool 	 <p style="text-align: center;">Low Medium High</p>	

Implementation Next Steps: Faculty Operations and Expectations

Shifting from the stand-alone clinic mentality to a “One Clinic” model requires a strategy with overarching governance and long-term consideration

Expected Outcomes	What is the Opportunity?	How is it Attained?
<ul style="list-style-type: none"> Clinic leadership and department Chairs will be empowered, with clear goals and expectations, to lead, manage, and maximize their departments profitability 	<ul style="list-style-type: none"> Develop an overarching strategy and governance program that aligns clinic faculty and staff to a common mission and a collaborative culture The strategy should include expectations of Chairs and Faculty, a RACI matrix for key responsibilities, a plan to utilize staff across all clinics as needed, and a transparent incentive structure to encourage productivity 	<ul style="list-style-type: none"> Align goals and priorities with the overall vision for the SoD (i.e. determine the emphasis on research versus teaching), documenting policies, expectations, and goals based upon this vision Review Faculty Code and assess faculty compliance with the code and define consequences for non-compliance Consult the Faculty Advisory Council before finalizing details Develop a transparent incentive program, where faculty will be awarded for high productivity if the school as a whole achieves its financial goals
How is it Measured?	Time to Implement	
<ul style="list-style-type: none"> Adherence to time allocation monitored and tracked using actual vs. plan during Chair/Faculty 1:1 meetings 	 <p style="text-align: center;">Low Medium High</p>	
Potential Drawbacks	Impact	
<ul style="list-style-type: none"> Increased concern if some programs are closed Lack of adoption of the cross-department staffing support model 	 <p style="text-align: center;">Low Medium High</p>	

Implementation Next Steps: Clinic Operations

Standardization of clinic operations will improve efficiency and patient experience, and prepare staff for a “One Clinic” model

Expected Outcomes	What is the Opportunity?	How is it Attained?
<ul style="list-style-type: none"> Alleviate confusion amongst patients and staff Improve patient experience Facilitate sharing of best practices Increase in efficiency Enable future revenue-generating growth Allow for staffing adjustments across all clinics as needed 	<ul style="list-style-type: none"> Standardize clinical and revenue cycle operations, policies and procedures, roles and responsibilities, and workflows 	<ul style="list-style-type: none"> Work with front desk and clinic support staff to define, standardize and document the following across each clinic: <ul style="list-style-type: none"> Roles and Responsibilities for all staff (including faculty and management) Approved contracted payers Policies and procedures Key workflows (e.g. patient registration, insurance verification, pre-authorization, appointment confirmation, agreement to pay) Conduct deep dive analysis of all departments with consideration of revenue loss and expenses that will need to be re-allocated elsewhere in the event that program(s) are paused or closed (e.g. debt redemption, rent, tenured faculty salaries, etc.) Review faculty, admin, and professional staff alignment to production, identifying opportunities to align staffing (some alignment efforts are already in process)
How is it Measured?	Time to Implement	
<ul style="list-style-type: none"> Increase reimbursement Decrease in claim denials Increase in collaboration across clinics 	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; width: 40px; height: 40px; background-color: white; margin: 5px;"></div> <div style="border: 1px solid black; width: 40px; height: 40px; background-color: white; margin: 5px;"></div> <div style="border: 1px solid black; width: 40px; height: 40px; background-color: #4CAF50; margin: 5px;"></div> </div> <div style="display: flex; justify-content: space-around; margin-top: 5px;"> Low Medium High </div>	
Potential Drawbacks	Impact	
<ul style="list-style-type: none"> Pushback from faculty Possible employee union negotiation 	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; width: 40px; height: 40px; background-color: white; margin: 5px;"></div> <div style="border: 1px solid black; width: 40px; height: 40px; background-color: white; margin: 5px;"></div> <div style="border: 1px solid black; width: 40px; height: 40px; background-color: #4CAF50; margin: 5px;"></div> </div> <div style="display: flex; justify-content: space-around; margin-top: 5px;"> Low Medium High </div>	

Industry Trends for Future Consideration: Faculty Compensation

The current allocation of faculty salaries to departments does not take into account how time is spent. There is limited discussion with each faculty member on what percent of time should be spent on teaching/research/clinic based on SoD needs and funding

UW SoD Current-State Practice

Current Time Allocation

- Time allocation is not tied to funding sources
- Most faculty members have one day per week to practice in a clinic, but this is treated as supplemental income
- All other time is spent in research, admin and/or teaching

Current Salary Allocation

- For faculty who spend 50% or more of time teaching (didactic or pre-doctoral clinic), 100% salary is funded by GOF/DOF until funding pool is exhausted
- Salaries for all other faculty are allocated to the clinic where they work, even if all time is not spent there

Alternative: Proportional-Based Allocation

Proportional-Based Allocation

- Faculty time allocation (teaching, research, clinical, and admin) percentage is determined each year through direction from the Dean and Department Chairs meeting 1:1 with each Faculty member
- Funding for teaching and admin is expected to be fully covered through GOF/DOF or revenue generated in a post-doc or residency clinic
- Funding for research/scholarly activities must be funded by grants/other or salary will be reduced by that amount through bi-annual reconciliation process
- Time spent in a faculty clinic is included in time allocation and balanced with other activities

Salary Allocation for Funded Activities

- Example salary using proportional-based allocation:

Time Allocation / Week	Salary Allocation
Teaching: 2.5 days	50% to Pre-Doc Clinic
Research: 1 day	20% to Research Program
Clinical: 1 day	20% to Faculty Clinic
Administrative: 0.5 day	10% to Department / SoD

Industry Trends for Future Consideration: Indirect Cost Allocation

While the current indirect cost (overhead) allocation model is one that is used, other schools of dentistry follow the utilization model to allocate indirect costs more accurately

UW SoD Current-State

- UW SoD allocates indirect costs by production, whereby allocation percentages are based upon billed charges across all SoD clinics
- Central service costs are based on prior year actuals and include actual cost plus merit increases
- The percentage of all overhead charges are then allocated out to each clinic budget and charged monthly (exception: some clinics are charged semi-annually)
- Based on this model, roughly 50% of overhead costs are allocated to four clinics

Considerations:

- The production-based allocation model can be adjusted monthly to allow for fluctuation in clinic production
- This model does not allow for decrease in cost due to high-volume efficiencies and/or bulk-purchasing
- Clinics with high productivity but low reimbursement (e.g. those with high Medicaid population) may be unable to offset overhead costs even with an increase in patient volumes

Leading Practice: Utilization Model

- Leading practice suggests allocating indirect costs based upon a relative value system¹ which are aligned with activity/resource utilization
- Patient encounters becomes the unit of cost; it is the variable by which resources are utilized in the delivery of dental services, such as time, dental materials, malpractice risk, complexity, etc. within a single measurement and are used in measuring productivity, budgeting, allocating expenses, and cost benchmarking
- At the end of reporting period (i.e. month end), records are reviewed and indirect cost rates are calculated and allocated

Considerations:

- Allocating by utilization via a relative value system can be labor-intensive
- More accurate way to allocate costs as it identifies level of activity; protects departments from payor mix impact
- Utilization allocation provides a measurable way to define the actual cost of work which can then be utilized across various functions (e.g. cost to train a student, faculty incentives, productivity analysis)

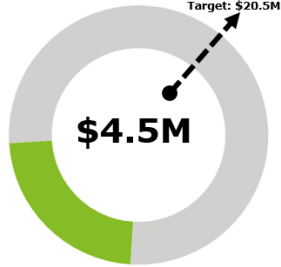
¹ Optum360 offers a Relative Values for Dentists tool that is a relative value system established by national surveys of physicians and dentists conducted by Relative Value Studies, Inc. This tool enables users to establish, defend, and negotiate fees for dental procedures billed with CDT or CPT® codes.

Appendix

Examples of Performance Dashboards

SUMMARY (DEAN/CHAIR) PERFORMANCE DASHBOARD

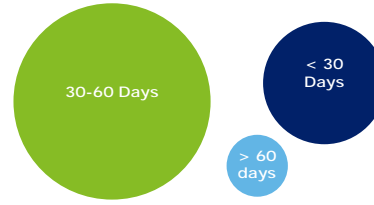
FY18 Revenue To-Date



FY18 Expenses To-Date



Receivables Summary



YTD Trend

↑	< 30 days	25%
↓	30-60 days	55%
↑	> 60 days	10%

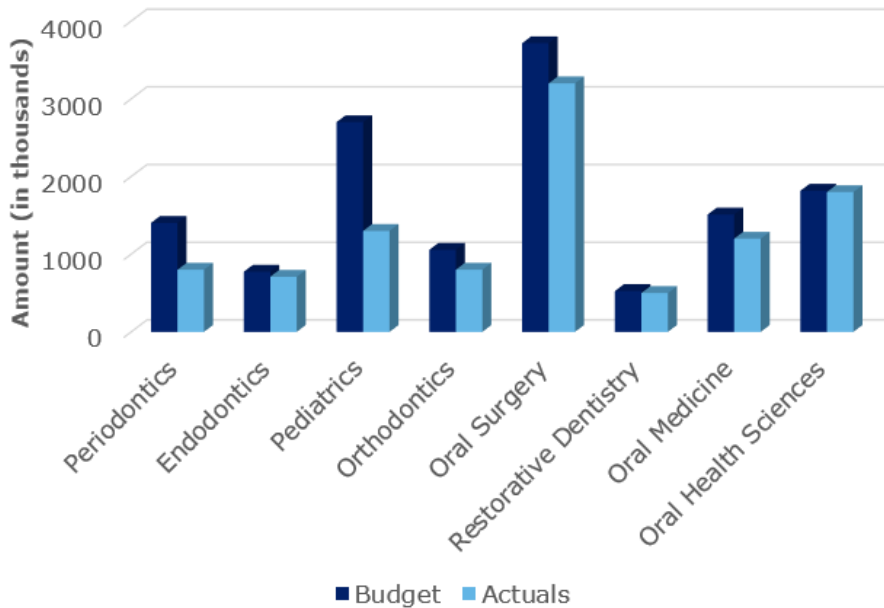
Payer Mix Distribution



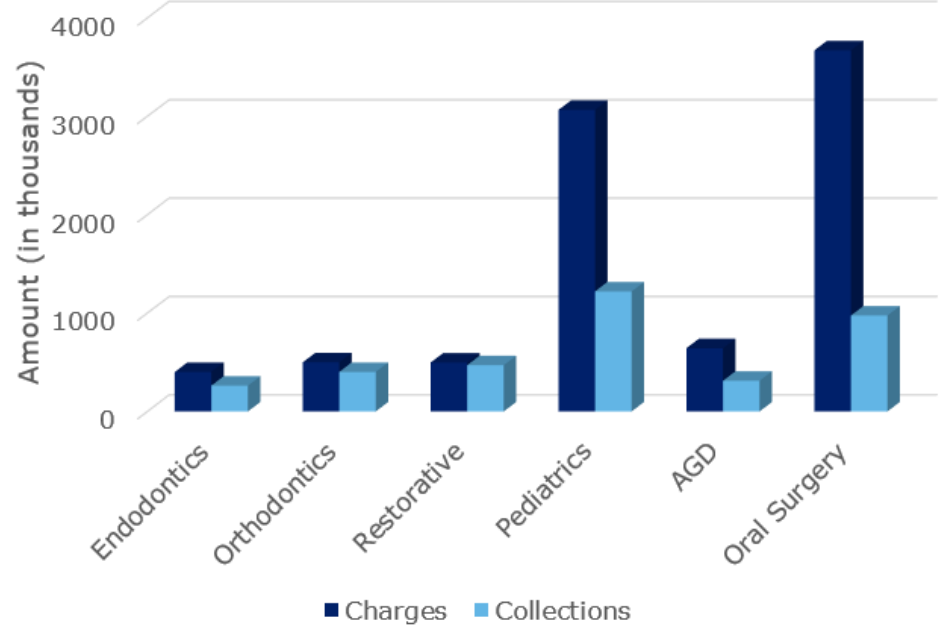
YTD Trend

↓	Medicaid	65%
↑	Private	15%
↑	Self-Pay	20%

FY18 Budget to Actuals



FY18 Charges to Collections



(THIS IS FOR ILLUSTRATIVE PURPOSES ONLY. NUMBERS REFLECTED ARE NOT ACTUALS)

DEPARTMENT (CHAIR/FACULTY) FINANCIAL PERFORMANCE DASHBOARD

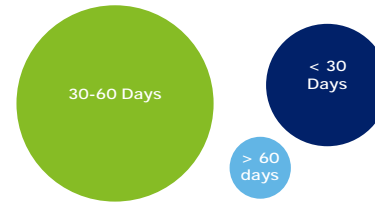
FY18 Revenue To-Date



FY18 Expenses To-Date



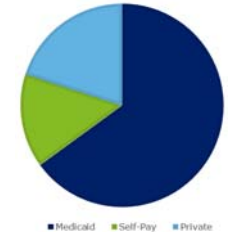
Receivables Summary



YTD Trend

↑	< 30 days	25%
↓	30-60 days	55%
↑	> 60 days	10%

Payer Mix Distribution



YTD Trend

↓	Medicaid	65%
↑	Private	15%
↑	Self-Pay	20%

↑	Month to Month	5% above prior month
↓	YTD	10% off target for FY18

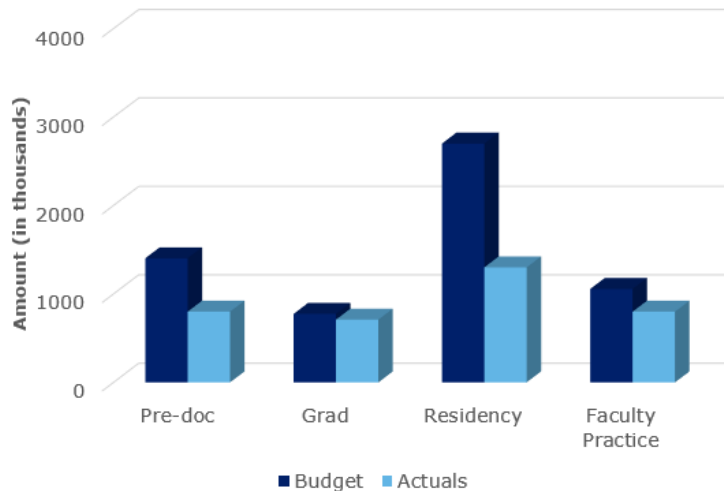
↓	Month to Month	8% below prior month
↑	YTD	5% on target for FY18

SELECT DEPARTMENT

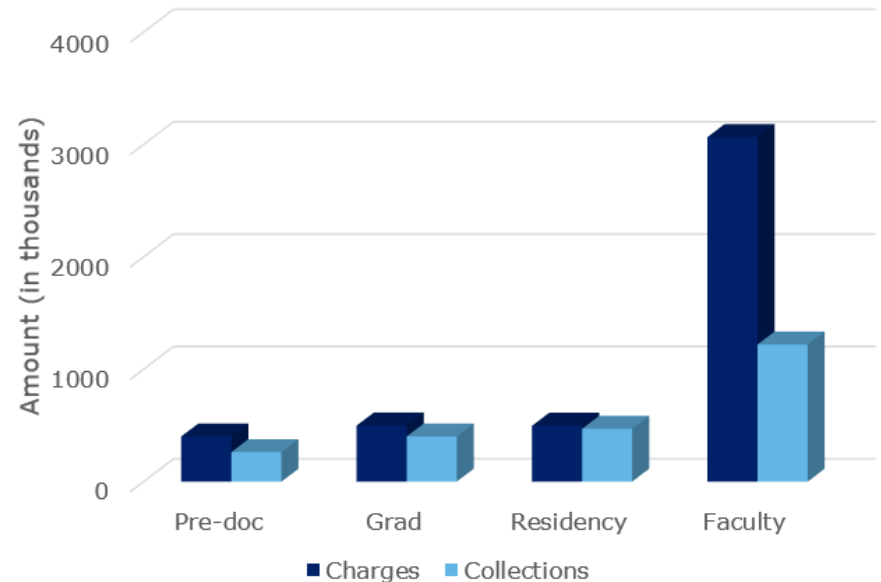
(Click here to choose)

- Periodontics
- Endodontics
- Pediatrics
- Orthodontics
- Oral Surgery
- Restorative Dentistry
- Oral Medicine

FY18 Budget to Actuals



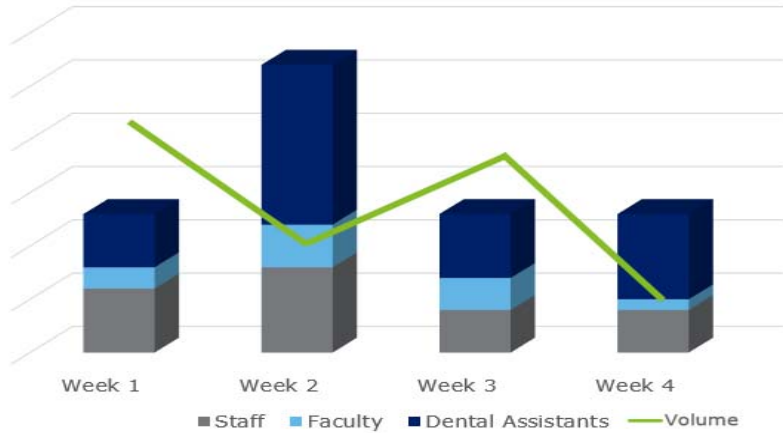
FY18 Charges to Collections



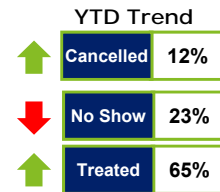
(THIS IS FOR ILLUSTRATIVE PURPOSES ONLY. NUMBERS REFLECTED ARE NOT ACTUALS)

DEPARTMENT (CHAIR/FACULTY) OPERATIONAL PERFORMANCE DASHBOARD

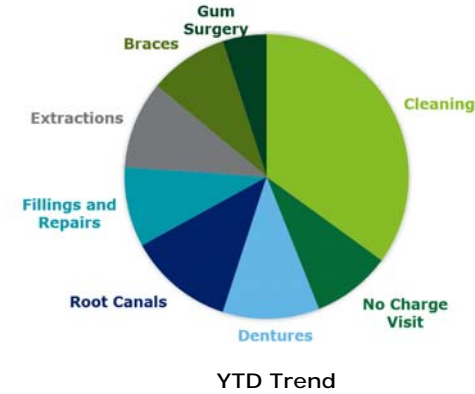
Clinic Volumes vs. Staffing



Patient No Show %



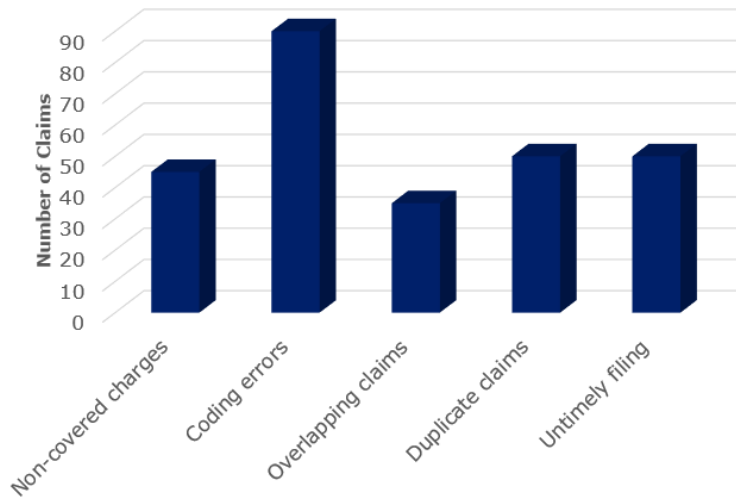
Appointment Type



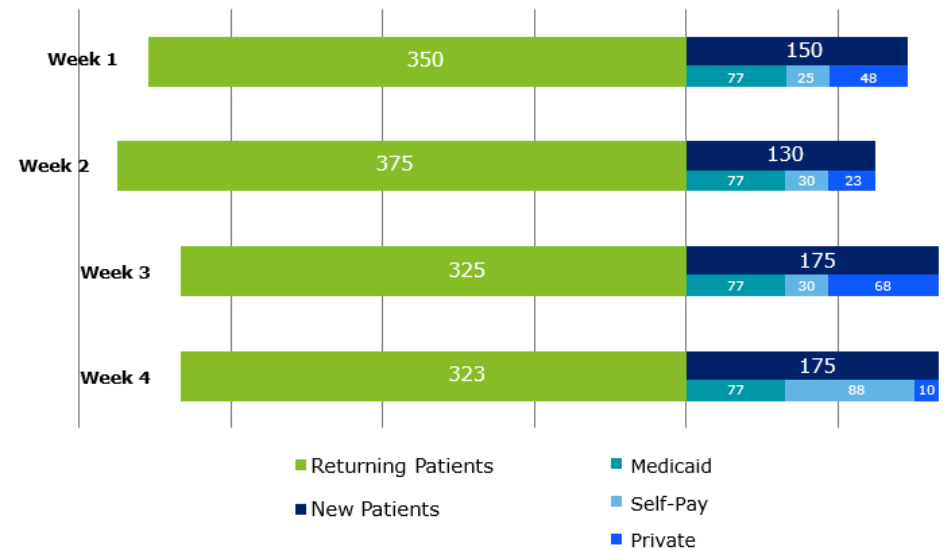
SELECT CLINIC

- (Click here to choose)
- ALL
- Pre-doc
 - General Practice
 - Periodontics
 - Oral Surgery
- Graduate
 - Periodontics
 - Endodontics
 - Prosthodontics
 - Orthodontics
 - Oral Medicine
- Residency
 - Oral Surgery
 - AGD

FY18 Denials by Type (YTD)



New Patient Mix Distribution



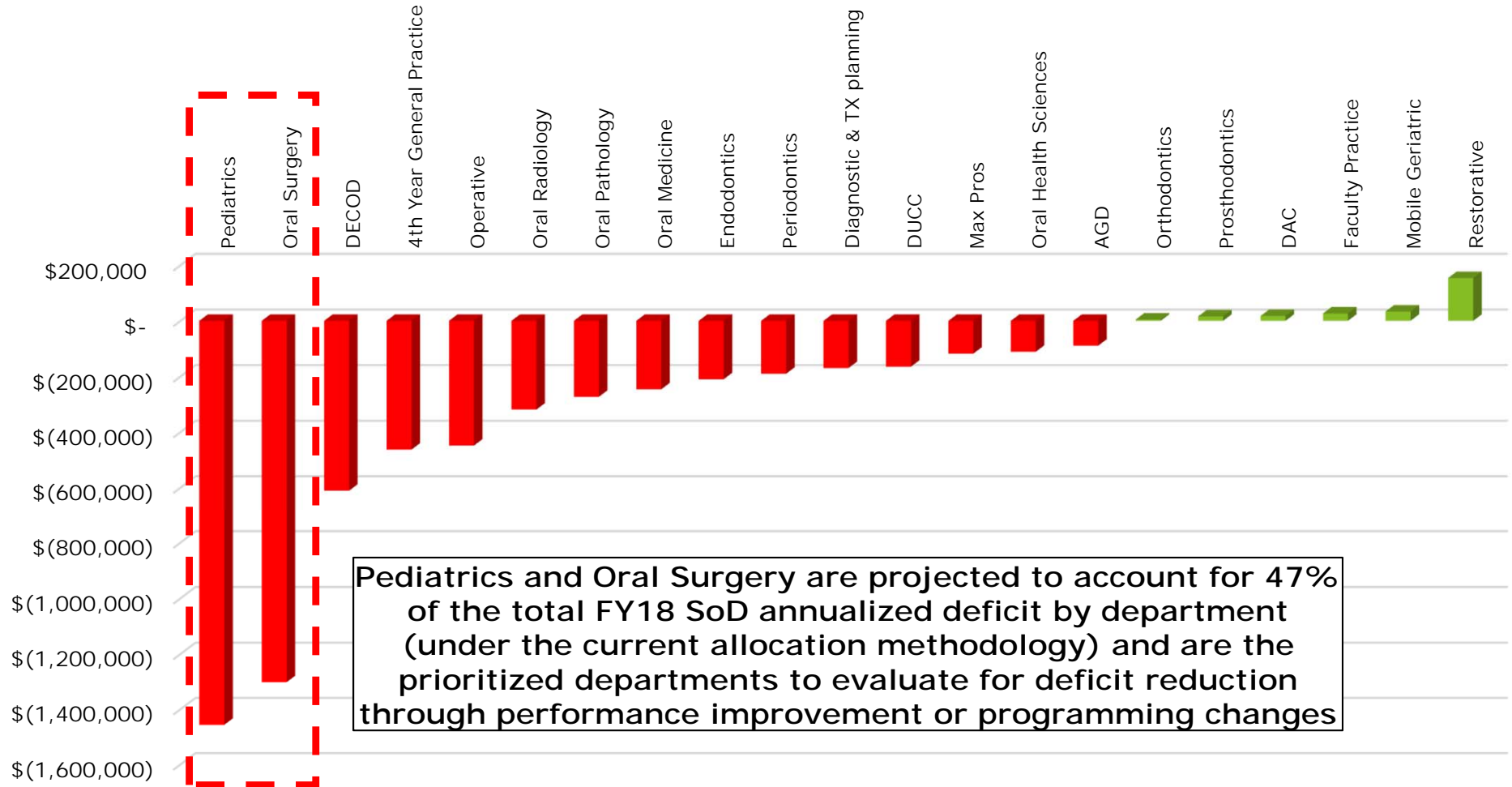
(THIS IS FOR ILLUSTRATIVE PURPOSES ONLY. NUMBERS REFLECTED ARE NOT ACTUALS)

FY18 Annualized Deficit Analysis by Department

FY18 Annualized Deficit Analysis*

A high level financial assessment was conducted across all departments to determine improvement areas from a deficit reduction perspective. Note: this analysis used the current allocation methodology (with corresponding overhead and faculty salaries) and could change significantly if another allocation method were used.

FY18 (Annualized) SoD Deficit Analysis by Department



*Annualized using 6-month net revenue from July 2017 to December 2017. Source is "SOD Consolidated Clinic Reports_FY18_Q2 Dec 2017" provided by UW SoD.

Anticipated Benefit Detailed Calculations

Anticipated Benefit Detailed Calculations

High level anticipated benefits were calculated based upon data provided by the UW SoD, industry experience, and publically available benchmarks. These calculations identified potential benefits totaling \$761K - \$986K in FY18 and \$4.4M - \$8.9M in FY19

	Potential Annual Benefit	Data Calculations	Possible Month Realized	FY18 (Partial)	FY19
Resource Alignment	· \$3.2M	Data provided by UW SoD: · \$94K Faculty Attrition · \$2.2M Support Staff · \$1M Faculty Alignment	· Dec 2017 · May 2018 · July 2018	\$461K	\$3.2M
Clinic Operations: Support Staff Standardization	Benefits realized as part of Resource Alignment	Benefits Included above	Benefits Included above	Included above	Included above
Clinic Operations: Revenue Cycle Standardization	· \$1.1M	Data provided by UW SoD as lost revenue due to ineffective front desk processes (annual denials): · Agreement to Pay: \$510K · Pre-Auth Denials: \$326K · Other Preventable Denials: \$283K	· April 2018	\$275K	\$1.1M
Clinic Operations: Residency Program Evaluation	· \$0 - \$3.5M	Assumptions and why range of \$0 to \$3.5M: · Annualized 6 month actuals from departmental budget of Pediatrics and Oral Surgery "Proforma PEDO FY18 Annualized for Deloitte_2018_2_16" which results in total deficit of -\$4.7M · Excludes debt redemption for the Sand Point facilities = \$1.2M · All Pre-Doc programming for Pediatrics and Oral Surgery are covered by GOF/DOF funding or tenured faculty who will be able to re-allocate time to that programming · No other changes have been made to revenue or corresponding faculty and overhead expenses	· June 2018 (or before depending on performance improvement)	\$0M	\$0 - \$3.5M
Clinic Operations: Clinic Financial and Growth Strategy	· \$100K for every 1% shift in payer mix	The average cost per patient was determined by total clinical revenue and total patient volume equating to \$143. A variance was calculated between Medicaid reimbursement rate (25.8%) and Commercial reimbursement rate (79.7%) using industry averages which equated to 53.9%. With a 53.9% increase, this translates to increasing average cost/patient to \$221. Total cost for 1% of Medicaid patient was used by increased average cost and population size. For 1% shift, this results in approximately \$102,000 annually.	· April 2018 (1% - 10%)	\$25K - \$250K	\$100K - \$1.1M
Anticipated Benefit				\$761K - \$986K	\$4.4M - \$8.9M

Stakeholder Interview List

Stakeholder Interview List

Interviews were conducted with over a dozen stakeholders from UW and the SoD to identify operational and financial improvement opportunities as part of the data gathering process

Dept. / Area	Interviewee Name	Title
Office of the Provost	Sarah Hall	Associate Vice Provost, Planning & Budgeting
	Jason Campbell	Sr. Director of Financial Analysis & Budget Strategy
SoD – Office of the Dean	James Johnson, DDS, MS, FICD	Interim Dean, Dentistry
	Bob Wanezek	Assistant Dean, Clinical Strategy & Planning
	Jessie Garcia	Interim Assistant Dean, Finance & Resources
	Lara Alpert	Director, Clinical Accounting and Financial Reporting
	Eve Phantumvanit	Analyst, Assistant Accountant
SoD Faculty / Clinic Operations	Ricardo Schwedhelm, DDS, MSD, FRCDC(P)	Associate Dean, Restorative Dentistry
	Frank Roberts, DDS, PhD	Acting Chair, Periodontics
	Thomas Dodson, DMD, MPH	Associate Dean and Chair, Oral and Maxillofacial Surgery, Acting Chair, Pediatrics
	Mark Drangsholt, DDS, MPH, PhD	Chair, Oral Medicine
	Travis Nelson, DDS, MSD, MPH	Clinical Associate Professor, Pediatric Dentistry
SoD – Students	Evan Mitchell	Student Council President, Dentistry