



**Clinical Teachers Association
of Queen's University**



The Religious Hospitallers
of Saint Joseph
of the Hotel Dieu of Kingston

Alternative Funding at Queen's University

2005 August 25

Backgrounder

INTRODUCTION

What is the Alternative Funding Plan for academic medicine at Queen's University?

In 1994 July, Queen's University, its principal teaching hospitals (Kingston General Hospital, Hotel Dieu Hospital, and Providence Continuing Care Centre - St. Mary's of the Lake Hospital), and the Clinical Teachers' Association of Queen's University entered into a funding agreement with the Ontario Ministry of Health and the Ontario Medical Association. Under this agreement funding is provided for physicians' services to include the full mission of an academic health sciences centre: clinical services, education of health professionals, and research into health and health care.

Alternative funding replaced funds from a wide variety of government sources. These included: fee-for-service billings, the Clinical Education Budget support for faculty, existing alternative payment plans, t-fees, and other sources of funding.

The original contract was for five years. On 1999 July 1, the contract was amended and extended for a further eighteen months. A further three month extension allowed for completion of negotiations for a new multiyear agreement. On 2001 March 08, the five SEAMO member organizations, the Ontario Ministry of Health, and the Ontario Medical Association ratified a new four year Agreement.

Effective 2005 April 01, SEAMO entered into a new funding Agreement with the Ontario Ministry of Health and Long-Term Care and the Ontario Medical Association. This new agreement introduced fundamental changes in how SEAMO was funded. In particular, the new Agreement blurs the distinction between Alternative Payment and Alternative Funding.

How does an Alternative Funding Plan differ from an Alternative Payment Plan?

An alternative payment plan and an alternative funding plan are not be the same thing. An alternative payment plan is another mechanism for paying physicians. Generally speaking, alternative payment buys physicians' services either as FTE's, numbers of hours, or sessional payments. That is, funding under an alternative payment plan pays for physician **inputs**.

An alternative funding plan provides funds for the purchase of deliverables. These could include care for a defined number of persons (capitation), defined quality of care, population health, or other measures of health system **output**.

The new funding agreement provides significant base funding for the organization. This base was set at 102% of the previous year's funding level. Significant additional funds are available and are tied to "shadow billing". By introducing payment tied to fee-for-service, a hybrid of Alternative Funding and Alternative Payment was created.

GOVERNANCE

With whom does the government have a contract?

SEAMO'S five member organizations (Queen's University, Kingston General Hospital, Hotel Dieu Hospital, Providence Continuing Care Centre - St. Mary's of the Lake Hospital and the Clinical Teachers' Association of Queen's University). The SEAMO "Signatories" have entered into a multi-year funding agreement with the Ontario Ministry of Health and the Ontario Medical Association. The five entities comprising the "Signatories" must ratify a funding agreement, as well as ratify the internal governance agreement.

How is alternative funding at Queen's governed?

These Signatories have created the Southeastern Ontario Academic Medical Organization (SEAMO). SEAMO has a Governing Committee comprising seventeen members including an independent chair.

Members of the Governing Committee include representatives of each of the Signatories, some appointed by a Signatory, others elected by faculty members.

There is a two-tiered governance structure comprising the Governing Committee and a Signatories Committee. The Signatories Committee is empowered to make decisions on matters "of fundamental principle" which may be referred to it by any of the Signatories. Decisions of the Signatories Committee require unanimity, with each of the five Signatories having one vote. Matters of fundamental principle include those related to the ability of SEAMO to function, the allocation of resources to departments, and the ability of the members of SEAMO to meet the obligations of the contract with government.

In eleven years the Signatories have met to consider:

- the Extension and Amendment to the Agreement, which Signatories later recommended for ratification;
- a new multiyear Agreement
- amendments to the internal governance agreement.

DELIVERABLES

How are deliverables defined?

The first three contracts with the Government required that SEAMO fund the clinical and academic activities of full-time clinical teachers at Queen's University School of Medicine and some other physicians as defined in the contract. In addition, sixteen deliverables with the four domains of education, research, clinical service, and leadership and administration were defined. These deliverables dealt with health system outpatients such as "quality of care".

The failure of SEAMO and the Ministry of Health to operationalize these deliverables and establish performance criteria was a contributor in the government's insistence that shadow billing be introduced. With only centre-wide alternative funding arrangement in the Province, the Ministry of Health lacked the necessary resources to develop a meaningful and robust set of performance criteria.

How does SEAMO report?

In the original contract, SEAMO and the Ministry of Health negotiated a clinical reporting system. This system is based largely on chart extraction, and provides the Ministry with encounter-based information. The system captures in-patient activity, same day surgical activity, emergency activity, and clinic activity. SEAMO developed a new Accountability Framework which provided a robust system of reporting on deliverables in all three main areas: clinical service, education, and research. The Ministry, lacking resources to understand this accountability framework, required the introduction of shadow billing and it provided to SEAMO significant funding to achieve agreement.

ORGANIZATION

What is the organization structure for SEAMO?

SEAMO has the Signatories Committee and below it a Governing Committee. The Governing Committee has three standing committees: an Executive Committee, a Resources Committee and a Negotiations Preparation Committee. Other work is performed by ad-hoc task groups.

How is SEAMO managed?

Generally speaking, there has been an integration of faculty and SEAMO management. The Director of the School of Medicine is the Chief Executive Officer of SEAMO. The Chief Financial Officer of the Faculty of Health Sciences is the Chief Financial Officer of SEAMO. SEAMO has a Director of Policy and Planning who is responsible for much of the day-to-day administration.

Under the funding Agreement with government, there are funds specifically earmarked for management of SEAMO. In addition, SEAMO has allocated funds for information management and reporting.

ALLOCATION OF RESOURCES

How do funds flow?

Funding under the Agreement provides for monthly payments to SEAMO through Queen's University.

Funds are distributed to clinical departments in accordance with an annual budget approved by the SEAMO Governing Committee.

How are individual clinical teachers compensated?

Clinical teachers receive T4 and T4A income. This reflects their status as University employees for the purposes of educational activities and their status as self-employed individuals with regard to their clinical activities.

How is individual compensation determined?

Departments are funded by SEAMO, and it is the department which allocates resources to individuals. Compensation to individuals is determined on the basis of the system established through a collegial and democratic process.

FLEXIBILITY

Has the Alternative Funding Plan provided Queen's with increased flexibility?

Each of the four funding agreements with Government differed with regard to flexibility available to the Alternative Funding Plan. The original contract fixed funding for five years. Increased subspecialization, increased patient demand, and other factors put tremendous pressure on SEAMO and its member organizations to increase staffing. Fixed funding meant increased staffing could only occur at the expense of levels of compensation, which was neither politically possible nor desirable. Modest increases did occur partly as a result of some enhancement funding at initiation of alternative funding, and partly through careful cash flow management (by using funding from vacancies).

The second funding agreement, the *Amendment and Extension to the Agreement*, provided a mechanism for requesting from the Ministry additional funds for new positions. This mechanism was both extremely cumbersome and time consuming and arguably provided little in return.

The third contract provided to SEAMO an envelope of funds and freedom to allocate these funds as it wished. Improvements to rates of compensation, new positions, supporting infrastructure were funded from this envelope. This flexibility placed great responsibility on the organization to allocate its resources appropriately.

The current funding agreement again reduces significantly flexibility available to the organization. While SEAMO can allocate its funds as it wished, funding enhancements over the three years of the contract are linked either to penetration of the fee-for-service system through shadow billing or guaranteed rate adjustments to mirror province-wide alternative payment plans.

For more information on this alternative funding plan see a article: Rosenbaum, P, Shortt SED, Walker DMC. Alternative Funding for Academic Medicine: Experience at a Canadian Health Sciences Center. *Academic Medicine* 2004;79:3.