



UNIVERSITY OF MIAMI
MILLER SCHOOL
of MEDICINE

TO: Carlos Beruff
Chair, Commission on Healthcare and Hospital Funding

FROM: William L. Devoney, Jr. CPA, MBA *WLD*
Hospital Division – Chief Financial Officer

SUBJECT: Commission on Healthcare and Hospital Funding: Information Request

DATE: May 18, 2015

The University of Miami Hospital, University of Miami Hospital and Clinics, and Anne Bates Leach Eye Hospitals operate as entities of the University of Miami Medical Center. As an Academic Medical Center (AMC), the hospitals and the School of Medicine share the tripartite mission of caring for the sick; educating physicians, future doctors, scientists, and conducting research.

As is the case with AMCs across the country, financial stability at UM Medical has required a complex mix of revenue sources that flow through cross-subsidies to achieve the tripartite mission of clinical care, research, and education. Research and education have been loss leaders, cross-subsidized by the clinical income of hospitals and physicians. Gaining a complete and accurate picture of the economic situation of the Medical Center cannot be achieved by reviewing profitability of its hospital division in a silo. Patient treatment, education, and research are complementary activities that reinforce one another. The positive margin generated by the hospital division is reinvested in research and education activities not recorded within the income statement of the hospitals.

The University of Miami and other Academic Medical Centers are known to provide tertiary and quaternary care. Caring for the most complex patients requires a deep level of expertise and therefore is more costly. Insurers recognize that fact and often reimburse AMCs at a higher rate to support the required cross-funding of education and research from clinical revenues.

That being said, the required information has been included as requested. Thank you for your continued support. I hope this letter can help provide a little more context on the complex subject of funds flow within academic medicine.