Agenda

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Higher Education and Healthcare Industry Outlook

Risk and Governance Considerations
Areas of Current and Future Focus
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Areas of Current and Future Focus

2008 - 2009

Regulatory Environment

- Active federal and state regulators and auditors
- Continued use of agencies (IRS auditors) to promote greater institutional accountability
- Conflict of Interest (IRS, GAO, Senate Finance Committee)
- Impact of stimulus funding

2009 - 2012

Greater Compliance Accountability

- Lessons Learned from TARP Program
- Increased public reporting and transparency
- Greater audit focus “Compliance Controls”
- Convergence of public company with education industry (e.g. compensation)
- “Investment” in Research strategy – From where?
Areas of Current and Future Focus

2008 - 2009

Operational Initiatives

• Academic
  - Cost reduction and revenue enhancement strategies
  - Administrative service delivery/cost reduction strategies
  - Leveraging unused campus space
  - Faculty Salaries/productivity

• Clinical
  - Cost reduction and productivity
  - Physician productivity/incentives
  - Procurement and supplier vulnerability
  - Length of stay, capacity management, clinical efficiency

2009 - 2012

Implementing Strategies, Reducing Costs and Managing Risks

• Sustaining cost reductions
  - Have we gone far enough?
• Measuring and capturing results
• Strategic Opportunities – Lost or Gained?
• Are you managing “to” or “through” the recessionary period?
• Impact of Healthcare Reform
  - Preparing for Value Based Purchasing and Bundled Payments
  - Dependency on Medicare and Medicaid
  - Quality Initiatives
Areas of Current and Future Focus

2008 - 2009
Enterprise Risk and Compliance

• Greater level of focus by management and the Board
• Leverage existing compliance (e.g. clinical billing) programs
• Annual enterprise-wide reporting of risks
• Alignment with training programs

2009 - 2012
Organizational Models and Oversight

• “Loosely Confederated Models”
• Compliance Programs migrating to ERM programs
• Continued focus by federal regulators
• Awareness and assessment of “net residual risk”
Areas of Current and Future Focus

2008 - 2009

Accounting and Reporting

- Fair Value Accounting
- Endowment transparency and utilization
- Alignment of external reports with federal tax reporting
- Contingency and Commitment Reporting

2009 - 2012

Emphasis on Liquidity and Unrestricted Resources (cash and funds)

- How liquid are you? – 72 hours, 1 year, 3 years
- Continued focus on the balance sheet – Center and Divisions
- Further Governance and Management Coordination – Audit, Finance, Investment, Development
- Increased public scrutiny
Higher Education and Healthcare Industry Outlook
Higher Education and Healthcare Industry Outlook

Access and Affordability
- Access and Affordability
- Slow economic recovery fuels public resentment and anxiety
- Growth in community college and public university enrollment
- Government’s role in funding “College for All”
- Pressure on financial aid budgets – 2010 through 2013

Continued Regulatory Focus – 18-36 Months
- Recovery Act – greater audit scrutiny of NSF and NIH
- Effort reporting focus
- Faculty and Institution conflict of interest and commitment
- IRS Form 990 – more potential changes (greater accountability)

Health Care Reform
- Continued consolidation and acquisition activity
- Electronic medical records initiatives
- Impact of Medicare and Medicaid funding changes on revenue streams
- Continued pressures on expense base – more reductions likely required
Higher Education and Healthcare Industry Outlook

International Operations
• Institutional definition of its role in the global world
• Strategy and success metrics

Financial Management
• Greater focus by rating agencies (and others) on “liquid resources”
• Move conservative investment management
• Balance sheet and fair value focus – e.g. leases, employee benefits, derivatives, etc.
Risk and Governance Considerations
Risk and Governance Considerations

- Top 10 Enterprise-wide Risks
- Audit Committee Trends
Risk and Governance Considerations

Top 10 Enterprise-Wide Risks

- Compliance
  - Sponsored Research – IG Focus
  - Export Controls
  - AARA Scrutiny
  - Lab Safety and Controlled Substances
  - HIPPA
- International Operations
- Student Mental Health and Substance Abuse
- Information Technology
  - Privacy and Security
  - Research Data Security
- Business Continuity and Emergency Management

- Economic Risk
  - Funding Initiatives
  - Occupational Fraud Risk
  - Financial Integrity – Policies and Controls
- Political and Regulatory Scrutiny
- Donor Restricted Funds
- Clinical Billing Compliance and Research Protocols (IRB and Clinical Trials)
- Relationships with Affiliates
Risk and Governance Considerations

Audit Committee Trends

• Relationship of Audit Committee with other Committees
  – Medical Center Governance
  – Investment Committee
  – Executive Committee
  – Full Board
• Number of meetings annually
  – Agendas
  – Time devoted
• Role in assessing institutional response – Economic/Financial Risks
Risk and Governance Considerations

• Time Allocation
  – Financial reports – The “numbers”, both annual and during the year
  – Other external audits
  – Financial reporting Internal Controls
  – Other Controls – Compliance and operational
  – Enterprise wide-risk – other institutional risks and plans to address
  – Internal Audits
  – Other – Legal matters, “hotline” notifications, special investigations, etc

• Compliance Internal Controls
  – Awareness of Compliance Risks
  – Internal Controls over Compliance
  – Oversight of Management Compliance Initiatives

• Code of Conduct / Conflict of Interest
  – Assessing code of conduct practices annually
  – Reviewing violations and resolutions
  – Reporting to other Board Committees

• “Hot Line” – Role and Responsibilities
Risk and Governance Considerations

- IRS Form 990 and 990T
  - Assessment of officer expense reporting practices
  - Compensation and related party disclosures
  - Responsibility for ensuring officer compensation is reviewed and documented

- Periodic Audit Committee Self Assessment
  - Assessing performance and follow-up actions
  - Methods to perform assessment

- Orientation for New Members and Continuing Education
QUESTIONS?