

## **Rutgers RBHS Chancellor Brian Strom is Pushing Through a Medical School Merger without Transparency, Oversight, and Accountability**

### **Part 2: Chancellor Strom's Cuts to NJMS Newark**

Chancellor Strom's merger plan promises that NJMS and RWJMS will become "co-equal" campuses but doesn't detail the potential impact on funding or growth for each of the schools. Through an OPRA request in February 2020, HPAE obtained an internal financial presentation on NJMS finances which showed that Chancellor Strom intentionally shifted tens of millions of dollars of Rutgers Biomedical and Health Sciences (RBHS)'s state appropriations away from NJMS on Newark to Rutgers central administration in New Brunswick. Chancellor Strom's cuts in state funding to NJMS resulted in the school's financial distress. NJMS' Dean Johnson responded by increasing the "Dean's Tax" for each clinical department at NJMS. Our research of other medical school mergers revealed that mergers have failed because clinical revenue losses.

The U.S. News and World Report ranks NJMS 8<sup>th</sup> for medical school students graduating with debt, with the average student graduating with \$213,553 in debt. The New Jersey Medical School has a higher percentage of minority students this therefore creating additional challenges and barriers for students of color seeking financial and career stability after graduation.

Chancellor Strom must be held accountable to the community, NJ regulators and elected officials. The public deserves to know and understand why the Newark campus did not receive the same level of investment. The question remains, will this merger create further instability rather than promoting and investing in a school that can be a pathway for students of color to achieve advanced degrees in the medical professions.

### **RBHS Chancellor Strom's Cuts in Distribution of State Funding from RBHS to NJMS**

The finance presentation showed that NJMS experienced an \$18.8 million loss in annual funding over 4 years because of decreases in the distribution of RBHS' state appropriations to NJMS by Chancellor

Strom and an increase in payments to Rutgers Central Administration:

Chancellor Appropriation of State Funds to NJMS  
(incl. NJMAPS Revenue)  
and  
RCM Payments to Central by NJMS

**Four-Year Loss: (\$18.8M)**

**State: (\$13.9M)**


**RCM: (\$4.9M)**

Description	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Chancellor Appropriation of State Funds*, incl. NJMAPS	50,454,916	47,360,644	39,610,239	37,817,408	36,589,522
Formula-driven RCM Payments by NJMS to Central	57,108,508	55,412,260	55,815,089	60,416,122	62,025,282
Chancellor Appropriation of State Funds*, incl. NJMAPS, less RCM	<u>(6,653,592)</u>	<u>(8,051,616)</u>	<u>(16,204,850)</u>	<u>(22,598,714)</u>	<u>(25,435,760)</u>

**NJMS's Dean Johnson increased a tax on clinical departments because of Strom's cuts, highlighting the importance of clinical revenue.**

In 2017, NJMS' Dean Johnson increased the "Dean's Tax" on NJMS clinical departments because of the Chancellor's shift of state funding away from NJMS, which he wrote, caused a "budget problem for the foreseeable future".

**To:** NJMS Department Chairs

**From:** Robert L. Johnson, MD, FAAP   
The Sharon and Joseph L. Muscarelle Endowed Dean  
Rutgers New Jersey Medical School

**Subject:** NJMS Budget and Dean's Tax on Practice

As you know from the discussion at the Chairs meeting of August 17, 2017, the School has emerged from the prior fiscal year (FY 17) with a balanced budget.

However, FY 18 has seen a reduction in the State appropriation that flows from the University and the Chancellor's office to the School. For this and other reasons, we are facing a budget problem for the foreseeable future.

At this time, I am increasing the 3% dean's tax on all practice collections by 2%, to a total of 5%. The mandatory 7% Dean's Tax will continue to be administered by the UPA; the 5% dean's tax will be implemented separately, directly under the authority of the Dean.

**RBHS Chancellor Brian Strom's Future of Academic Medicine ("FAM") Committee raised concerns about clinical revenue and rapidly increasing payments to Rutgers central administration**

The slides HPAE obtained clearly show that clinical revenue is key to the financial stability and growth of NJMS's "co-equal" campus. The "Future on Academic Medicine" committee convened by the Chancellor raised questions as to how the schools would be funded in light of the RWJ affiliation. Those slides highlight that clinical revenue is already an issue, which could be further pressured by the RWJ affiliation. According to the FAM report:

"The Committee raised questions about how the medical schools would be supported financially in the future. **Without direct access to the clinical revenue generated by the faculty, how will the school ensure sufficient ongoing investment in undergraduate medical education and other mission areas, including research?** Will there be opportunity to access resources in support of programmatic development in education and research at the school level? **These questions are pressing, as funds flow from RWJBH to RBHS and ultimately to the medical schools lacks specificity at this time.**"

In 2018, Rutgers launched a "partnership" with Robert Wood Johnson Barnabas Health, whereupon the health system would get the rights to any clinical revenue, (potentially over \$500 million a year for 20-years) and in return Rutgers would get mission support payments of at least \$25 million a year, plus other unspecified funds for the amount of clinical time purchased. After full implementation of the partnership, the medical schools will be heavily dependent on RWJBH for funding. None of the particular contracts, which were to be completed in the wake of the 2018 partnership agreement have been completed at this time. Thus, it is impossible to know exactly how much funding the medical schools will receive from health system.

The FAM report also raised an additional financial concern in terms of how Rutgers's accounting system, known as "Responsibility Centered Management (RCM)" would be reflected in a merged school scenario. Generally speaking, RCM is an accounting mechanism where every school must "balance" all its monies. For example, if the medical school wanted to buy a computer for a classroom would have to be offset by tuition, research dollars, or some other revenue source. Rutgers central administration "taxes" schools for the cost of parking, libraries etc. Here, the FAM is stating that with a bigger school would result in bigger RCM "taxes" to central administration, perhaps much more than taxes being paid currently.<sup>1</sup> It is unclear how RBHS Chancellor Strom's salary, whose total compensation exceeds \$1.1 million per is paid for via the RCM model. If the Chancellor were a university president, that salary would be in the top 1% of university presidents in the United States.<sup>2</sup>

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<sup>1</sup> FAM report page 18 <https://interactivepdf.uniflip.com/2/33892/1109614/pub/document.pdf>

<sup>2</sup> [https://www.chronicle.com/interactives/executive-compensation#id=table\\_public\\_2018](https://www.chronicle.com/interactives/executive-compensation#id=table_public_2018)

RBHS Chancellor Brian Strom's total salary last year was \$1,120,888. –  
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