



PROPONENT TESTIMONY FOR HB 478
COMBINING THE MEDICAL UNIVERSITY OF OHIO
AND THE UNIVERSITY OF TOLEDO

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Chairman Calvert and members of the House Finance Committee, I am pleased to have this opportunity to testify in support of the proposed business combination of the University of Toledo (UT) and Medical University of Ohio (MUO). I believe that this action is in perfect alignment with the spirit of the governor's Commission on Higher Education and the Economy, which gives strong support to collaboration and the seeking of economies of scale. I believe that this Bill does both of these things in equal measure. It creates an opportunity for greatness by the creation of another great university in Ohio with new intellectual synergies. There are synergies between the Colleges of Law and the Colleges of Medicine; between the Colleges of Business Administration and the Colleges of Medicine; between the College of Pharmacy and the College of Nursing. While these synergies are obvious, there are more subtle synergies to be derived, in my opinion, from a broader intellectual climate such as the synergy between the Department of Philosophy and the Colleges of Medicine in the area of medical ethics for example.

In addition to the fact that this merger will create a far more appropriate critical mass phenomenon in northwest Ohio, and I believe energize the intellectual climate of both universities, there are also economies of scale to be gained. Currently, at the universities there are two human resources departments, two information technology groups, two top management offices with two presidents and two cabinets. There are many economies of scale that are derivative from the above observations. Over the first year to eighteen months, it will be our resolve to integrate to the greatest degree possible the above-named functions and to seek for further "back room" integrations across the new institution.

In addition to these economies of scale to be derived from amalgamation of back room functions, there are significant economies to be gained by and among the colleges of each university. For example, there exists a graduate school in both institutions. Both of these graduate schools grant both masters and doctoral degrees in a sizeable number of very high quality programs. Putting these together in a single graduate school, with an appropriate degree of functionality at both campuses would be an early goal of this proposed combination. Furthermore, there are significant opportunities to be gained from a consideration of the MUO College of Nursing and MUO College of Health Sciences when compared to the strengths and functionalities of the UT College of Health and Human Services. An additional and powerful example exists in the consideration of the College of Pharmacy at the University of Toledo. UT's College of Pharmacy already has many relationships with the Medical University of Ohio's clinical enterprise. Physical transfer of the College of Pharmacy to the "medical campus" is currently under consideration.

This proposed combination would strengthen both universities, strengthen the local and state economy, and strengthen the likelihood of commercialized research in northwest Ohio. It will

improve the public image in northwest Ohio and Toledo and improve the name recognition of both institutions. The breadth of the educational offerings is nearly unparalleled across the country with only a small number of institutions offering pharmacy, medicine, law, business, engineering, and nursing as well as numerous other education programs in a single venue.

All existing relationships will remain intact with this legislation. Relationships with labor unions as well as articulation agreements and other relationships with other institutions, such as community colleges, will remain intact. Indeed, I believe there is room for greater opportunity for enhancing some of these relationships with the prospect of this business combination. Existing relationships with vendors, existing relationships with debt-issuing agencies, existing relationships with third party payors for health care, will all remain intact. All of these are being addressed immediately in an effort to create seamless continuity across this transition.

The research potential of both institutions will be enhanced by this business combination. Initially, there will be an immediate improvement in the rankings of both institutions in terms of research grants gained and research productivity. There are further opportunities in the research world that the combination could promote. For example, the establishment of an approved cancer center in northwest Ohio requires a certain base level of research support. Currently neither MUO nor UT possesses that level of support. Together, it is a feasible goal to reach for a NCI cancer center designation as a portion of the clinical enterprise of the combination.

The likelihood of commercializable and translational research is increased given the intellectual synergies in connections among the colleges in the universities. For example, groups have already been meeting to discover synergies between the College of Engineering at the University of Toledo and the College of Medicine at the Medical University.

This combination will require an initial investment. There will be a series of issues ranging from integration of the information technology systems, severance packages, and possibly even relocation and renovations of certain buildings. It is my belief that this investment will be returned within two to four years after this merger. This degree of this investment will determine the repeatedly of amalgamation and the likelihood of significant return. The greater the investment upfront in developing synergies and relationships in the intellectual arena, the greater likelihood of very significant returns on that investment. Overall, the process of putting these institutions together will not complete for four or five years after the effective date. Return on the investments, however, should begin much earlier than that.

The general structure towards which these two universities are migrating is the commonest structure for academic health centers and the most successful structure. Well over 100 of the nation's 125 medical schools exist in the context of a larger, multifaceted research university. A free standing medical school or a medical school which is part of a relatively narrow set of disciplines such as in the health arena, is the far less common model. The most successful example of that free standing model is Oregon Health Sciences University, which currently ranks approximately 32nd in the receipt of National Institute of Health (NIH) dollars. The model towards which we are migrating with an academic health center and a medical school as an integral part of a larger multifaceted research university exists at the University of Pittsburgh, the Johns Hopkins University, Northwestern University, Wayne State University, The Ohio State University, and the University of Michigan, to name only a few examples.

It is our intention to migrate toward this model where it is most successfully developed to the extent that resources are available if this business combination is ultimately approved. Both institutions have already begun to apply significant resources to this project. Most of these resources are currently "in-kind" consisting of significant amounts of staff time. However, both institutions are

also prepared, within the limits of their ability, to continue applying resources to this business combination. The degree of outside resources available will determine the rapidness and completeness of this integration and ultimately determine the earlier and greater return on that investment.

It is anticipated that the MUO Foundation and the UT Foundation will stay separate at the present time. This is entirely consistent with a recent trend in higher education where large universities have more than one foundation, each aimed at particular functions within that university. The new University of Toledo will consist of at least two campuses. The existing campus currently constituting the Medical University of Ohio will be designated as the "health campus (or similar name) of the University of Toledo." Significant attention will be given to naming this in a way that preserves the legacy of this important institution. Similarly, the current University of Toledo main campus will probably be designated as the "home campus" or "main campus." In each instance, the naming of the campus and entities will be done with great sensitivity toward the legacies, alumni sensitivities and loyalties, and the preservation of the value of public recognition of the current names.

The campuses of the University of Toledo and the Medical University of Ohio are approximately three miles separate. Located between these two institutions are a number of important businesses and neighborhoods as well as some undeveloped land of significant value. The integrity of these areas will not be endangered by this business combination. There is no plan to use any right of eminent domain argument to endanger these properties. Furthermore, it is the commitment of both Boards and both university administrations to honor the legacy character of some of the properties currently existing in this space between the two universities. Contact with representatives from these neighborhoods and properties is already in progress.

One of the driving values of this proposed combination are economies of scale and efficiencies. Questions have been raised on both campuses concerning the degree to which such efficiencies and economies might result in job loss. There is little question that this business combination will streamline many functions and result therefore in reductions in specific areas. However, it is my belief that the overall university will be stronger and likely therefore to grow. Furthermore, many new opportunities have already been opened for employees of one or the other institutions; an example is that currently the Medical University of Ohio is seeking additional employees in the hospital revenue section of its finance group. Opening this to preferred employment from the University of Toledo represents a great career opportunity for people in the finance background at the University of Toledo and at the same time reduces any specific individual experiencing job loss. Beginning at the first of January of 2006, every vacancy at both institutions has been examined to seek persons at risk for displacement and their suitability for taking these jobs. We will continue this scrutiny and indeed will strengthen it and seek every opportunity to move people into advantageous positions for long-term jobs at the new University of Toledo. Most of this movement and reduction in workforce should be accomplished by attrition.

In summary, the proposed legislation would allow the University of Toledo and the Medical University of Ohio to move toward a model wherein an academic health center and a medical school are a part of a multifaceted university. This model is by far the commonest and the most successful model across the country. This business combination would position northwest Ohio to strengthen its educational institutions, strengthen its research productivity, and strengthen its potential for translational and commercializable research. Finally, moving toward the model should bring greater name recognition, greater public image, and greater benefits to the University of Toledo, the Medical University of Ohio, the City of Toledo, northwest Ohio, and the State of Ohio.

We respectfully request your support of this proposal.