Recommended Action:

Recommend the Board authorize the University of Iowa to expand an existing pilot compensation program in the Carver College of Medicine to include faculty in the College of Pharmacy.

Executive Summary:

The University of Iowa requests authorization to expand the scope of participation in an existing pilot program that provides lump-sum payments to faculty as a reward for attaining significant extramural funding or providing extraordinary service in teaching or administration. The existing pilot program operates in the basic science departments of the Carver College of Medicine. Expanding the program to the College of Pharmacy would provide the University with the opportunity to assess how viable such a program would be in a more traditional academic setting.

Background:

Faculty expectation to fund salary

The College of Pharmacy currently expects all of its tenure track faculty members to obtain extramural grant or contract funding that supports a minimum level of their individual salary. Furthermore, all clinical track faculty are expected to generate appropriate revenue for their clinical services. To date, the amount of external funding expected to be generated by Pharmacy faculty has varied by Division and by rank, but it generally ranges from 5% to 25%. A smaller number of faculty (mainly clinical track) already generate significant clinical service revenue, but there is clear potential for growth in this area.

The benefit of placing this requirement on faculty is that when a faculty member obtains extramural funding that includes salary costs, that individual’s state salary can be redirected into other areas. This type of salary offset provides the College of Pharmacy with funding for visiting speakers, augmented graduate student stipends, start-up funds for new faculty, etc.
Current incentive plan doesn’t supplement salary

At the present time the College of Pharmacy has an incentive program that rewards faculty who generate significant proportions of their salary from extramural research grant or contract awards. Under that program, a portion of the faculty member’s extramural award is directed into an enrichment account for that faculty member to use in his or her research activities. However, under this program, none of the funds from the grant or contract are paid directly to the faculty member. Funds may only go into the enrichment account and may only be used for research.

CCOM pilot program approved July, 2003

At its July, 2003 meeting, the Board of Regents approved a request from the University of Iowa to implement a pilot program in the basic science departments of the Carver College of Medicine (anatomy, biochemistry, microbiology, pharmacology and physiology and biophysics). In that pilot program, the College makes lump sum incentive payments for faculty in departments meeting their financial goals who bring in extraordinary extramural funding to offset their salary cost by greater than 50%. The plan also has provisions for rewarding faculty based upon sizeable extramural grants from funding organizations that might limit salary support and for faculty having significant teaching/administrative assignments. This lump sum payment is separate from the annual merit increases. The college intends to evaluate this program at the end of the two-year pilot to determine if the program is successful.

Now the University would like to expand the Carver College of Medicine’s pilot program by providing a similar opportunity for approximately sixty faculty within the College of Pharmacy.

Analysis:

How proposed plan would work

The plan that is being proposed to the Board at this time would enable College of Pharmacy faculty to participate in an incentive program in which they would receive incremental payments for their achievement on meeting certain goals of productivity in the College’s missions of research and clinical service. As in the Carver College of Medicine pilot, the proposed plan would reward faculty whose extramural awards provide either significant salary support or contracts for clinical service revenue. In addition, it would also reward faculty who obtain high-dollar extramural funding that provides minimal or no salary support.

Payment related to salary offset

In essence, the proposed plan is similar to a sales commission scheme. Once the faculty member obtained external funding sufficient to offset a specific threshold amount of his or her salary, he or she would directly receive a portion of the external funding as a one-time, non-recurring payment. The payment schedule would be as follows:

<table>
<thead>
<tr>
<th>Salary Offset via extramural funding</th>
<th>Payment to faculty member</th>
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<tbody>
<tr>
<td>20% - 29%</td>
<td>$2,000</td>
</tr>
<tr>
<td>30% - 39%</td>
<td>$5,000</td>
</tr>
<tr>
<td>40% - 49%</td>
<td>$10,000</td>
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<tr>
<td>&gt;50%</td>
<td>$15,000</td>
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</table>
As indicated by this schedule, a faculty member would first have to obtain extramural funding to offset at least 20% of his or her salary before being eligible for any incentive payment. Also, the maximum payment to any individual faculty member for a single year is capped at $15,000.

Payment related to funding obtained

For those faculty who obtain extramural grants that provide limited or no salary support, the program would work as follows:

- If the principal investigator obtains between $350,000 and $450,000 in extramural research support per year, the productivity incentive payment will be determined by the department head and may be up to $5,000.
- If the principal investigator obtains more than $450,000 in extramural research support per year, the productivity incentive payment will be determined by the department head and may be up to $10,000.

Other opportunities for incentive payments

The College of Pharmacy also proposes to reward eligible faculty with an incentive payment award for highly meritorious activities related to teaching or service. Each division in the College of Pharmacy has been asked to clearly define the expectations related to qualifying for such an award based upon extraordinary efforts in these areas. Examples could include the creation of a new innovative course or accepting major responsibility identified by the division head as innovative, if it is particularly intensive of time and effort in the area of service to the Division or the College. The incentive payments will be determined by the division heads and may be up to $5,000. Division heads will identify the specific types of responsibilities/activities that are eligible for these awards and make their recommendations to the dean.

Additional option: resource funds

Although the proposed plan allows for incentive payments to be made directly to recipients, a faculty member would still have the option of having any payment for which he or she is eligible deposited into a research account (rather than receiving it directly as a payment).

Implementation and Operation

The proposed incentive payment program would be extended to all full-time faculty in the College of Pharmacy, but a faculty member must be on the College of Pharmacy payroll at the time the payment is made. Emeritus faculty will not be eligible for an incentive payment except during the first year of their emeritus status (based on their performance in the previous fiscal year).

Payments

Payment would be made in early November based on attainment of the previous academic years’ goals or targets. Payments made under this program would be in addition and unrelated to yearly merit salary increases. Accordingly, payments would not be a permanent part of the faculty member’s salary and would vary from year to year based upon the previous year’s productivity.
<table>
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<tr>
<th>Section</th>
<th>Text</th>
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<tbody>
<tr>
<td>FICA payment required</td>
<td>In addition to providing an eligible faculty member with the incentive payment, that payment would need to be augmented by a FICA payment of 7.4% and any other required benefits associated with extra compensation. The development of procedures for implementation of this program will be the responsibility of the division heads. The Dean of the College of Pharmacy will have final authority for the overall program, including adjudication of any interpretation issues related to program policy.</td>
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<tr>
<td>Source of initial funding</td>
<td>No start-up funds from any source will be utilized to start this program at the College of Pharmacy. The initial source of revenue for this program, for both the incentive payment and the required fringe benefits, would be derived from salary set-off on grants and contracts and faculty-generated revenue from clinical services. However, the University is actively examining other forms of revenue that might also contribute to this pool of funds.</td>
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<td>Impetus for expanding the CCOM pilot</td>
<td>Medical schools are quite unique with regard to the way basic science faculty allocate their time between teaching, research and service. Faculty at the College of Pharmacy, while doing the same type of research as medical school faculty, have expectations placed upon them with regard to teaching and service that much more akin to traditional faculty (i.e., outside of the medical school setting). Therefore, examining the viability of this type of an incentive program in a setting outside the Carver College of Medicine will provide the University and the Regents with significant insight into the effectiveness of this approach and its applicability across the entire University.</td>
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<td>Other anticipated benefits</td>
<td>The plan is intended to be an incentive that would lead to a substantial increase in grant and contract productivity by faculty. The resulting salary offset will provide funding for other important departmental uses, as already noted. Thus an increase in funded grants and contracts would broaden the non-general fund financial base of the College of Pharmacy.</td>
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<td>Faculty retention and economic development</td>
<td>The program will also support the College’s efforts to effectively recruit and retain key faculty. Competitive salaries are critical to retain high quality faculty and maintain high quality programs. The College’s ability to continue to attract and retain outstanding faculty will clearly be to the advantage of the University and the state, since faculty at the College of Pharmacy play a central role in the bioeconomy and biotechnology focus of the economic development efforts of Iowa. The research expertise within the College contributes positively to the development of new products also links well with faculty in the colleges of medicine, and engineering and the departments of chemistry and biology in developing large research programs in critical areas such as cancer, the neurosciences, cardiovascular disease and aging.</td>
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<tr>
<td>Peer institutions</td>
<td>According to information provided by the College of Pharmacy, the colleges of pharmacy at the following institutions have similar incentive</td>
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plans to supplement faculty salary: Illinois, Minnesota, University of California at San Francisco, Florida, Arizona, Washington, Maryland, Kentucky, Virginia Commonwealth, Mississippi and Nebraska. The colleges of pharmacy at the universities of North Carolina and Georgia are presently examining the viability of such a program.

Program Evaluation The College of Pharmacy proposal, like the one previously approved for the Carver College of Medicine, will be initiated as a pilot and will be evaluated by the Office of the Provost over the next two academic years. The review will include an analysis of extramural funding trends, quality of teaching and service programs, and faculty productivity, to assess its impact on the objectives and its success in achieving all of the College’s goals and maintaining consistency with our mission.