

EXHIBIT A

HEALTH EDUCATION AFFAIRS COMMITTEE REPORT

COMMISSION ON HIGHER EDUCATION

The Committee on Health Affairs decided that it was neither practical, feasible, nor desirable to reopen the entire question of establishment of a second medical school, since that question, among others, received year long attention from the Committee to Study the Total Health Care Delivery System in the State of South Carolina, otherwise known as the Smith Committee.

The Smith Committee's report concluded as follows on the question of a second medical school:

"Unless South Carolina should be the recipient of sufficient funds to establish such a second medical school, the Health Care Study Committee at this time does not make such a recommendation. However, this Committee recommends that the Commission on Higher Education be the agency which applies to the appropriate Federal agencies for Veterans Administration funding of a second medical school, and if successful in obtaining sufficient funds, and there is a commitment from the State to operate such a school in conjunction with the Veterans Administration as outlined in the body of this report, that such school be established in Columbia."

The Committee feels that after the numerous studies which have been made recommending both for and against a second medical school, that the study concluded by the Smith Committee should be accepted as the most authoritative and the one which should guide in the second medical school controversy.

However, the Health Affairs Committee of the Commission feels that the entirety of the recommendations of the Smith Committee must be implemented regarding a second medical school, and that all of the conditions and apprehensions contained in the Smith Committee's report must be scrutinized and considered, if South Carolina is to establish a second medical school.

Accordingly, the Committee recommends that the University of South Carolina be authorized to apply for Federal funds for a second medical school under public law 92-541 (the VA legislation) upon receipt of written acceptance - and only upon receipt of such acceptance - from the Board of Trustees of the University of South Carolina, or its Executive Committee, of the following terms and conditions:

1. That no funds for capital expenditures or operating expenditures be committed or expended until the University of South Carolina has demonstrated to the Commission on

Higher Education that the University will receive non-state funds to defray 100% of the capital costs of a second medical school for the first 10 years and 52% of the operating costs of a second medical school for not less than 10 years.

This is to implement that portion of the Smith Committee's report that a second medical school should not be built "unless South Carolina should be the recipient of sufficient funds to establish such a school." The Smith Committee required full non-state funding for construction costs and the University of South Carolina indicated that it could receive 80%. We have selected the 100% requirement in accordance with the Smith Committee's recommendation. The University of South Carolina suggested in its presentation to the Smith Committee that 52% of the operating costs of a second medical school would be available from the Federal Government, and we have selected their figure as realistic.

We do not consider the award, if granted, of 1.87 million dollars available under the VA legislation as meeting either of the above requirements.

The Commission on Higher Education will have the sole authority to determine when the funding requirements have been met and the program may go forward.

2. That no funds be expended for capital construction or operating expenses until the General Assembly of South Carolina has notified the Commission on Higher Education by resolution or by an effective appropriation that the State's anticipated share of funding will be forthcoming at least for the first fiscal year. We would anticipate an early action by the General Assembly, pro or con, and in the view of this Commission, this requirement would not impede the application for Federal funds if other Commission requirements are met. This requirement is to insure that the General Assembly recognizes positively the full facts of financial liability of a second medical school as outlined by the Smith Committee, to wit: "The Health Care Study Committee draws two conclusions regarding Federal financial support for health education and service projects. First, monies are intended to encourage change; they are not provided to support a continuing operation. Thus, while providing impressive encouragement, Federal funding frequently obligates the State for large, continuing fiscal responsibility. Second, shifts in Federal government emphasis and spending preclude using historical performance as an accurate indicator of the availability of federal funds." Additionally, the Smith Committee points out: "The University of South Carolina maintains that there would be no immediate requirement for a University-owned teaching hospital with

the use of Richland Memorial Hospital, and thus there would be no corresponding hospital operating costs. However, there will be hospital costs; the question is only who will pay.

"While traditional accounting methods confound an accurate determination of a teaching hospital's investment in education, it has been observed that as educational programs mature and care becomes exemplary (as opposed to service oriented) hospital operating costs can double (Busby, D. D., et. al. "Unidentified Educational Costs in a University Teaching Hospital: An Initial Study", Journal of Medical Education, April 1972, p. 243)".

The Commission on Higher Education will retain the sole authority to determine when the legislative notification requirements have been met and when the program may go forward.

3. That all new health related programs affiliated with the University of South Carolina, including a second medical school, be governed by a board consisting of two members of the Board of Trustees at the University of South Carolina, to be designated by the Chairman of that board; two members of the Board of Trustees at the Medical University of South Carolina, to be designated by the Chairman of that board; two members, one of whom will be the Chairman, from the Commission on Higher Education, to be designated by the Chairman of the Commission from among its public members; and additional members as may be designated by the Commission on Higher Education from time to time, the Board to report directly to the Commission on Higher Education. Such staff assistance for the Board, as is required, will be provided by the Commission on Higher Education.

This recommendation for joint governance is consistent with the concept of the Smith Committee's recommendation for a health education authority, which would have broad coordinating and regulatory powers over all segments of tax supported health education in this state. Since the health education authority has not been acted upon by the General Assembly, this interim arrangement should suffice to prevent overlapping, duplication and competition between emerging health programs and those which already exist in the state.

In addition, this provision is to eliminate or minimize as much as possible the adverse effects of a second medical school, as outlined by the Smith Committee, to wit:

"The various adverse effects of a second medical school on the Medical University of South Carolina and the State, as

reported to the Health Care Study Committee, are ultimately traceable to its representation as a new and prodigious consumer of scarce resources; this implies increased competition among agencies for less money. Four of the more predictable results of a shift in emphasis and funding were identified as :

- "(1) A retardation of the MUSC growth rate with corresponding real threats to accreditation and faculty stability."
- "(2) A limitation of the options for improving and/or expanding existing programs of medical and para-medical education. This would significantly affect MUSC efforts to regionalize medical education and perform its community service role as an innovator and activist in demonstrating improved delivery of health services."
- "(3) The various educational institutions currently operating within the somewhat inelastic and already generous component of the State's general fund will experience a curtailment of growth."
- "(4) The reduced availability of general funds will limit the options for improving and/or expanding the delivery of health and other vital social services within the State."

The Committee has attempted to follow scrupulously the mandates of the Smith Committee's report.

The conditions laid down are designed to follow that report and thus to reduce the hazards involved in establishment of a second medical school, but to permit such school to go forward if the requirements and conditions of the Legislative Study Committee have, in fact and truth, been met by current developments.

Fred R. Sheheen
Chairman

Gedney M. Howe, Jr.
Member

Hugh M. Chapman
Member

R. Cathcart Smith
Member Ex Officio