The attached chart and example illustrate the financial decisions and priorities that are required in determining the allocation of professional services income. Professional services income may include patient care professional fee, expert witness, non-profit consulting and for-profit consulting income. This document will explain each priority. These costs must be funded in this order of priority; however, each situation may vary, depending on the other available funding. Reference is made to the applicable section of the COM Implementation Procedures (Procedures). As footnoted, some figures are estimates and may vary by department or APU.

DEDUCTIONS

Itemizes the deductions to revenue that are required by the Procedures (Section VI, C). The Dean’s tax and Practice Development Assessment (PDA) are set at 5% each of gross patient care professional fee revenue. The Department assessment can be from 0 to 7% of gross professional services revenue, and may vary by type of income. The department overhead is to be set by the Department Chair. The patient care professional income billing fee may vary. These, as well as other costs of practice, are the first obligation of the revenue as described in Section VI, E of the Health Sciences Compensation Plan.

PRIORITIES

Funds remaining after deductions are subtracted can then be used in the order of priority given. Not all priorities will require the use of these funds if other funds are available. However, funding must be used in the order of priority stated (Section VI, E).

Priorities 1 through 4 may be determined at the APU or department level as described in department compensation plan procedures and approved by the Dean.

Priority 1

If patient care professional fees funds, or other professional services income, are needed to cover the Fiscal Year Base (X) compensation (Section IV, C), that is the first obligation against the net revenue. The example used assumes that 20% of the X must be funded by patient care professional fees. It assumes that the remainder of the Fiscal Year Base is funded by other sources. The actual employee benefit costs (Section V, A) associated with this 20% Fiscal Year Base must also be paid from this source.

Priority 2

The second priority, if funds remain, is to fund the Health Sciences Base Salary Scale Differential (X prime) (Section IV, C). For this example, the differential between Scale 0 and Scale 3 is $1,342. If no other funds are available, professional services income would be used to fund this component of the salary. The benefits are estimated at 9% of this amount but would vary by individual.

Priority 3

If a faculty member has an approved Salary Scale above Scale 3, that differential would have to be funded by professional services income if no other funds are available. For this example, the differential between Scale 3 and Scale 4 is $442. The usual benefit costs would have to be funded, as well as the estimated retirement contribution (14.89% for calendar year 2001).
Priority 4

The next obligation of the professional services income could be the negotiated (Y) compensation. This would be determined during the annual negotiation process, under terms established in the department compensation plan procedures. The use of professional services income to fund the Y compensation may vary by department and APU, and is not recommended if the source and/or amount of professional services income is either unpredictable or uncertain. The applicable employer benefit costs (Section V, B) are also charged.

NET PROFESSIONAL SERVICES INCOME

The use of any remaining funds will be determined by policy established as part of the department compensation plan procedures.

Priority 5

If funds are available after Priorities 1 through 4 are funded, the balance may be used for incentive/bonus (Z) compensation, to fund an academic enrichment budget, or both, or other purposes as stipulated in the department compensation plan procedures. If Z compensation is paid, the applicable benefit costs must be deducted.

Any balances remaining at the end of a fiscal year may be carried forward, paid as an incentive/bonus (Z) payment, or may revert to the department as determined by department compensation plan procedures.

Further use of these funds may be done in accordance with Section VI, Campus Accounting and Budgeting Methods, E, Budgeting.