

**DEPARTMENT OF SURGERY PLAN FOR DISTRIBUTION AND USE  
OF PROFESSIONAL INCOME UNDER THE COLLEGE OF MEDICINE  
MEDICAL PRACTICE PLAN**

I. Purpose

The purpose of the Department of Surgery Plan is to provide the basis for determining the distribution and use of funds in the account held separately and administered by the Kentucky Medical Services Foundation, Inc., for the Department of Surgery from which expenditures are to be made only in accord with provisions set forth herein. The Department of Surgery Plan is developed and is to operate under policy established by the University of Kentucky Board of Trustees (action of 20 June 1978) and agreement pursuant thereto between the University of Kentucky and the Kentucky Medical Services Foundation, Inc.

II. Applicability

The Department of Surgery Plan is applicable to all faculty in the Department who are members of the Medical Practice Plan established by the University, and is applicable to the distribution and use of all clinical income attributable to professional activities of such faculty after provision by the Foundation for its administrative expense, for reimbursement of University costs attendant to production of clinical income, for costs of other mutually agreed upon programs, and for College of Medicine academic enrichment as provided by University policy and agreement between the University and the Foundation.

III. Governance

- A. The governing body of the Department of Surgery Plan shall be a Governing Committee composed of all full-time and part-time faculty with an M.D. degree, holding appointment for one-half time or more, in the Department who have membership in the Medical Practice Plan that has been continuous for the preceding twelve (12) months and who have generated clinical income assigned to the Kentucky Medical Services Foundation, Inc., provided, however, that during the first year of the operation of the Medical Practice Plan, continuous faculty status in the Department for the preceding twelve (12) months will satisfy the requirement for continuous membership in the Medical Practice Plan, and further provided that requirements with respect to continuous membership in the Medical Practice Plan and generation of clinical income shall not be applicable to Chiefs of Divisions and the Chairman of the Department.
- B. The Chairman of the Department shall serve as Chairman of the Governing Committee. A member of the Committee who is designated by the Chairman shall serve as Vice Chairman. In the absence of the Chairman, the Vice Chairman shall serve as Chairman.
- C. The Governing Committee shall meet at least quarterly and upon call by the Chairman or by one-third ( $1/3$ ) of the members of the Committee, with written notice of the time and place of each meeting being sent to each member at his/her designated office at least seven (7) calendar days prior to the meeting date unless notice is waived by unanimous consent of all voting members of the Committee. At meetings of the Governing Committee, the requirement for a quorum shall be fifty percent (50%) of the members of the Committee and actions taken shall require approval by a majority of the members voting at the meeting, with the exception that actions with respect to modification of the Department of Surgery Plan shall require approval by a seventy percent (70%) majority

- vote of all the members of the Committee. Voting shall be by secret ballot whenever action to vote by such ballot is approved by a majority of members present and voting. Each member holding full-time faculty appointment or holding part-time faculty appointment shall have one vote in Committee meetings. Voting by proxy shall not be allowed; however, votes of members who are qualified to vote but are absent from a meeting shall be counted in votes taken upon questions which have been presented in written form sent to each member at his/her designated office at least three (3) official working days prior to the date of the meeting, and further provided that the vote of the absent member(s) is presented in writing and signed by the member. Meetings of the Governing Committee shall be conducted in general accordance with *Robert's Rules of Order Revised*, with such additional exceptions as may be specifically provided herein.
- D. There shall be an Executive Council, the members of which shall be the Chairman of the Department, who shall serve as Chairman of the Council, the Vice Chairman of the Governing Committee, who shall serve *ex officio* without vote except in the absence of the Department Chairman, the Chief of Surgery at the Veterans Administration Hospital, who shall serve *ex officio* without vote, and the Chiefs of the Divisions within the Department.
- E. Executive Council shall meet at regular intervals at least ten (10) times per year and upon call by the Chairman of the Department or by one-third ( $1/3$ ) of the members of the Council. Provisions applicable to meetings of the Executive Council, with respect to requirements for notice, for a quorum, for votes required for actions, and with respect to the voting at meetings, shall be the same as apply to meetings of the Governing Committee. Meetings of the Executive Council shall be conducted in general accordance with *Robert's Rules of Order Revised*, with such exceptions as may be specifically provided herein.

F. The functions of the Executive Council include:

1. To serve in the capacity of a Finance Committee;
2. To represent the Governing Committee between its meetings;
3. To report at least quarterly at meetings of the Governing Committee upon income received, general allocation of funds, and the status of these in relation to the annual Plan budget of the Department; and
4. To review annually the Department Plan and to present any recommendations for modification to the Governing Committee; and, in accordance with actions thereon by the Governing committee, to present applicable recommendations to the Kentucky Medical Services Foundation, Inc.

IV. Distribution and Use of Funds

Income accruing to the separate account maintained by the Foundation for the Department of Surgery will be distributed from such account on the following basis:

- A. Five and one-tenth percent (5.1%) shall be placed in an account established and maintained by the Foundation and designated as the Department of Surgery Academic Enrichment Fund. The percentage to be allocated to such account will be changed based on negotiations between the Chairman of the Department and the Executive Council and in accordance with provisions for modification of the Department Plan, with any such change becoming effective as of the beginning of the succeeding fiscal year. Funds in the Department Academic Enrichment Fund may be used as required to meet unanticipated deficit(s) in income needed to cover expenditures, on a monthly accrual basis, in the established annual Plan budget of the Department, provided that such deficit(s) exceeds funds available to meet such contingency within the Division(s) in which a deficit occurs. Funds in the Department Academic Enrichment Fund will also be used, as determined by the Department Chairman, for Department operation and

academic enrichment purposes in the Department, provided that such purposes are within Internal Revenue Service guidelines for ordinary and necessary business expenses. Expenditure of funds by the Foundation from the Department Academic Enrichment Fund for purposes other than to meet deficits shall require written authorization from the Department Chairman. The unexpended balance, if any, in the Department Academic Enrichment Fund at the close of a fiscal year shall be carried forward to the following year.

- B. The remainder of the funds shall be distributed among Divisional Operation Accounts, which shall be established and maintained by the Foundation for the Divisions of the Department. The distribution of the amount available shall be made on the basis of the clinical income under the Plan attributable to faculty within the respective Divisions. Funds available in Divisional Operation Accounts will be applied by the Foundation, first, to meet Divisional expense, on a monthly accrual basis, for operation and staff support and for incidental purposes, within Internal Revenue Service guidelines for ordinary and necessary business expense, which is included in the established Plan budget for the Division and, secondly, to meet, in accordance with the established Plan budget, on a monthly accrual basis, the Plan portion of the Annual Anticipated Remuneration of individual faculty in the Division, including provision for TIAA-CREF or other retirement plans offered by the University of Kentucky at ten percent (10%) thereon, and to provide monthly payments to Professors and Associate Professors in the Division during sabbatical leave approved by the University. Such payments during sabbatical leave shall be based on the Plan portion of the Annual Anticipated Remuneration for the individual faculty as provided in the established Plan budget for the fiscal year in which the leave commences and shall be, at the option of the individual, either at the rate of the full monthly amount for up to six (6) months or at the rate of one-half of the full monthly amount for up to twelve (12) months. The Plan portion of Annual Anticipated Remuneration for faculty, together with provision for

TIAA-CREF or other retirement benefits thereon, which is not expended for reason of unfilled position(s) in the Division, shall be transferred by the Foundation, on a monthly accrual basis, to the Divisional Contingency Account for the Division, hereinafter described, which shall be established and maintained by the Foundation for the respective Divisions within the Department. Funds may be transferred between the Divisional Academic Enrichment Accounts and the Divisional Operations Accounts to fund deficits or to fund reasonable and appropriate activities with the approval of the Division Chief and the concurrence of the Department Chairman. In the event of an insufficiency of funds in a Divisional Operation Account to cover expenditures, on a monthly accrual basis, which are included in the established Plan budget for the Division, the deficit shall be met, to the extent possible, by transfer by the Foundation of funds to the Divisional Operation Account, first, to the extent required and available from the Divisional Academic Enrichment Account, and, secondly, to the extent required and available from the Divisional Contingency Account, and, thirdly, the Department Academic Enrichment Fund, but if the amount available from these sources provides less than required, then the remaining deficit shall be met by Foundation action reducing on a *pro rata* basis both payments of the Plan portion of the Annual Anticipated Remuneration and payments during sabbatical leave of faculty in the Division, with such reduction being made to the extent necessary to avoid overexpenditure in the Divisional Operation Account. If funds must be used from the Divisional Contingency Account to cover insufficiencies in the Operation Account, the Finance Committee may revise the Divisional budget to reduce the Plan portion of the Annual Anticipated Remuneration and/or other expenses with the concurrence of the Department Chairman. The revised budget will be submitted to the Foundation for approval. Thereafter, during the fiscal year in which the deficit occurs, if funds in the Divisional Operation Account exceed monthly requirements to meet budgeted expenditures, the Foundation shall transfer such excess funds to the Department

Academic Enrichment Fund as are required to repay the amount transferred from the Fund to meet the deficit and shall transfer remaining excess funds to the Divisional Contingency Account and Divisional Academic Enrichment Account to the extent required to repay the amount, if any, transferred from such Accounts to meet the deficit. If reductions were made in payments to faculty in the Division, excess funds in the Divisional Operation Account which become available, prior to the close of the fiscal year and after the required repayments to the Department Academic Enrichment Fund, the Divisional Contingency Account, and the Divisional Academic Enrichment Account, shall be paid by the Foundation on a *pro rata* basis to such faculty for the purpose of restoring, to the extent possible, the reductions which were made.

- C. The Divisional Contingency Accounts of the respective Divisions will receive such funds as are transferred by the Foundation from the Divisional Operation Accounts in accordance with the preceding paragraph (Section IV., B., herein), and the funds may be used in accordance with the provisions of such paragraph. Funds in a Divisional Contingency Account may also be used as determined by the Chief of the Division to meet unexpected expenses for operational support in the Division which are not included in the established Plan budget for the current fiscal year. All expenditures by the Foundation of funds from a Divisional Contingency Account, except transfer to the Divisional Operation Account in the event of a deficit, in accordance with the preceding paragraph shall require written authorization of the Division Chief. At the close of a fiscal year, funds remaining in a Divisional Contingency Account up to an amount equal to twenty-five percent (25%) or \$100,000, whichever is larger, of the total amount of the established Plan budget for the Division for such fiscal year shall be carried forward to the following year and the remainder of the funds in the Account may be transferred by the Foundation, with the approval of the Division Chief and the concurrence of the Department Chairman, fifty percent (50%) to the Academic

Enrichment Account of the Division and fifty percent (50%) to Divisional clinical supplemental remuneration.

**D. Residual unencumbered funds**

1. Residual unencumbered funds remaining in the Divisional Operation Accounts for a division will be totaled on 31 December and 30 June of each year and shall be distributed by 15 March and 15 September of the following year as follows:
  - a. Fifty percent (50%) shall be transferred by the Foundation to a Divisional Academic Enrichment Account for the Division as will be established and maintained by the Foundation for each of the respective Divisions. Funds in a Divisional Academic Enrichment Account shall be used as required to meet deficits in the Operation Account of the Division, as provided in paragraph B. of Section IV., herein, and also will be used for academic enrichment purposes as determined by the Chief of the Division, provided that such purposes are within Internal Revenue Service guidelines for ordinary and necessary business expense. All expenditures of funds by the Foundation, other than transfer to meet a deficit in the Operation Account of the Division, shall require written authorization by the Chief of the Division.
  - b. Fifty percent (50%) shall be allocated by the Foundation for payment to faculty of the Division of incentive supplemental remuneration and/or for payment of the cost of supplemental fringe benefits in lieu of remuneration. With approval of seventy percent (70%) of the governing committee members in the respective divisions, less than fifty percent (50%) of the residual unencumbered funds may be allocated for incentive supplemental remuneration. The amount allocated and funds, if any, transferred from the Divisional Contingency Account, in accordance with paragraph C. of



Section IV., herein, will be distributed among individual faculty of the Division on the following basis:

- 1) Individual faculty performance will be evaluated on a point system. The Division Chief, with concurrence of the Department Chairman, will assign points in the four (4) areas of teaching, research and publication, clinical care, and Divisional financial contribution. In the event that the Division Chief does not assign points in the four (4) areas of teaching, research and publication, clinical care, and Divisional financial contribution by the established deadline for receipt of incentive information, the Department Chairman will assign points. The Department Chairman will assign points for administrative activities, *e.g.*, departmental, medical school, university, state, or national committee work. Point assignment in each area will be based on the number of faculty in the respective Division multiplied by 5. Time commitment, attendance at teaching sessions, program development, and quality of teaching effort will be evaluated in assignment of points. Points for research and publication will be assigned based on dollars generated from research grants and publications. Clinical care will take into account such factors as the hours spent in clinical care, the quality of the care provided, and program development. Financial contribution will be based on the individual's contribution to Divisional revenue through patient care. Faculty in the Veterans Administration Hospital will be assigned points in a manner to assure their equitable share in incentive supplementation for equal performance.

- 2) Each individual's share of the amount allocated for incentive supplementation will be then determined by the Division Chief by multiplying the ratio of the individual point total to the point total for all individuals included in the distribution times the amount available for distribution. Inclusion in the distribution of individuals whose faculty appointment was terminated during the year prior to the distribution will be in accordance with policy established by the Foundation. Payment by the Foundation of the amounts determined for distribution to individuals shall require written authorization by the Chief of the Division. Payment may be in the form of supplemental remuneration or, in part or in total, in the form of purchases for individuals of supplemental fringe benefits which may be made available by the Foundation for selection at the option of individual faculty or of faculty in the Division or Department on a group basis.

2. Residual unencumbered funds remaining in the Divisional Operation Account for a Division at the close of a fiscal year (30 June) shall be distributed by 15 September in accordance with scheme as described for the December through March distribution.

V. Establishment of Plan Portion of Annual Anticipated Remuneration

The amount of the Plan portion of the Annual Anticipated Remuneration of individual faculty for a fiscal year shall be established prior to the beginning of the year by the Chief of the Division with concurrence of the Department Chairman, in which the individual holds appointment, based on negotiation with the individual. The Plan portion of the Annual Anticipated Remuneration for the Chairman of the Department shall require concurrence by the Dean. The timing of the establishment of the Plan portion for faculty shall be in phase with the budget cycle of the University or prior to initial appointment of individuals appointed

during a fiscal year. The amount of the Plan portion of Annual Anticipated Remuneration for faculty must be at a level which can be reasonably met within the Plan budget for the Department and consistent both with appropriate and necessary provision for other budgetary requirements and with reasonable expectations for incentive supplemental remuneration or supplemental fringe benefits.

VI. Establishment of Plan Budgets for the Department and Divisions

- A. For each fiscal year, a Plan budget for the Department and its Divisions shall be prepared and established in accordance with a schedule which, except in the case of the budget for the initial fiscal period of seven (7) months' duration, will be in phase with the annual budget cycle of the University. The Plan budget for the Department and its Divisions established for a fiscal year will define the allocation of resources and limits on expenditures which will be followed by the Foundation during the fiscal year in the management of Department and Division accounts and funds therein, with which the budget deals, and the Foundation shall be responsible and accountable for management of these in accordance with the Plan budget.
  
- B. An annual Plan budget for each of the Divisions shall be prepared by the Chiefs of the respective Divisions and submitted to the Executive Council. Based upon these submissions, the Executive Council shall prepare the Department Plan budget, which will include as separate components Plan budgets for the respective Divisions and for the general Department. Upon completion by the Executive Council and concurrence of the Department Chairman, the budget will be submitted to the Foundation. Plan budgets as prepared and submitted to the Foundation shall be consistent with such format as may be requested by the Foundation. Neither the Executive Council nor the Board of the Foundation will be privileged to receive for approval the individual Annual Anticipated Remuneration.

- C. The Plan budget for the Department and for each Division must include the Plan portion of the Annual Anticipated Remuneration for faculty in the Department/Division in the amounts as determined in accordance with the provisions of Section V., herein. Also, the Plan budget must include provision for all expenditures which are to be made during the fiscal year by the Foundation from Divisional Operation Accounts, including specific provision for Divisional expense for staff and operation support, for incidental purposes and sabbatical leave. Moreover, Plan budgets must include specific provision for all expenditures to be made for expenses of a recurring character from the account of the Department Academic Enrichment Fund or from a Divisional Academic Enrichment Account, and appropriate provision for the projected amount of undesignated expenditures from such accounts. Appropriate detail as to both the source and the projected amount of resources to be available and committed to cover the amount of expenditures included in the Plan budget for the Department and for each of the Divisions must be submitted with the budget and must include documentation as to sufficiency, based on past experience.
- D. Interim modifications in established Plan budgets for the Department and Divisions may be made only in accordance with policy adopted by the Foundation.
- E. Plan budgets and interim modifications, as permitted, which are duly submitted to the Foundation will be accepted and established by the Foundation provided that the uses of such funds as projected thereunder are consistent with policy for the Medical Practice Plan established by the University Board of Trustees' action and agreement pursuant thereto between the University and the Foundation, particularly the requirement thereof to the effect that budgeted expenditures in relation to projected resources be such as will provide reasonable expectation that funds will be available both for academic enrichment and for incentive supplementation for individual faculty.

F. In the event that a Plan budget for a fiscal year either has not been submitted to the Foundation or has not been accepted by the Foundation as of the beginning of such fiscal year, the Plan budget as last established shall be continued in effect by the Foundation in the new fiscal year and for as long as may be necessary.

VII. Provision for Appeals

If, after negotiation with the Division Chief and the Department Chairman, an individual faculty member feels that the Plan portion of his Annual Anticipated Remuneration or his incentive supplementation under the Plan is unacceptable or a Division Chief feels his Divisional Plan budget is unacceptable, the individual faculty or Division Chief may request an appeal for a review. Such request must be submitted to the Departmental Chairman in writing ten (10) days after receiving formal notice of the established Annual Anticipated Remuneration, incentive supplementation, or Divisional budget which is the basis of appeal. The appeal will be reviewed by the Dean of the College of Medicine because of his overall knowledge of the total picture, who will make a recommendation. If the Dean's recommendation is not acceptable, the individual faculty member or Division Chief may then appeal to the Board of Directors of the Kentucky Medical Services Foundation, Inc., whose decision will be final.

Reviewed by:

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