

President Shapiro reported that he had reviewed the inaugural addresses of past university presidents. To illustrate how problems of the University change over a period of time, he noted that one of President Fleming's major concerns was how to finance major expansion at The University of Michigan. President Shapiro indicated that this is no longer our most urgent or important problem. He expressed his opinion that the two-month leave for gaining a perspective about the problems that must be addressed was "well worth it".

Instead of presenting an inaugural-type of speech to the Senate Assembly, President Shapiro said that he would reserve that for his inauguration on April 14, 1980 and instead discuss two areas that he hoped would lead to continuing discussion by the Senate Assembly and the faculty - research and scholarship and the integrity of the undergraduate teaching programs.

He indicated that incentives for research is a critical problem for universities at this time, and that we must change the environment for research. As an example of the problem, he pointed out that research in the social sciences has decreased in the universities in the past decade, while other types of institutions have been increasing their efforts in the field. In fact, they have been increasingly successful in competing with universities for research funds. "We have a large pool of resources at this university", said President Shapiro, "the question is how are we going to allocate them to particular activities?"

The heart of the argument, according to the president, is the question of what activities should subsidize others at this university? Should research subsidize teaching? Should teaching subsidize research? Should research and teaching subsidize the administration, or vice versa?

Special allocations have already been made to schools and colleges at The University of Michigan to increase the funding for the administration of research activities. This means that limited funds were allocated for research instead of other areas. President Shapiro asked the Assembly, "Should we continue to build up research incentives by using funds that could go to support other areas (i.e. salaries and teaching programs) or have we approached a balance -- should we now give our attention to other areas?" He feels that is a very important question that must be resolved in the future. The President indicated that he is aware that the faculty is already involved with the problem of research incentives and feels that it is most

appropriate that the Senate Assembly continue to address the problem.

President Shapiro feels that as important as the question of research and scholarship, is the quality of the undergraduate teaching programs. He asked the question, "Do all University of Michigan graduating seniors receive an education and degree worth having?"

Although he is satisfied with the quality of education received by the upper spectrum of students, he stated his concern about the "marginal" graduates. To get an idea of the type of education the marginal students had received, he reviewed the transcripts of one hundred such individuals. Stressing the fact that he considered his survey only a "fast impression" and not a thorough analysis, the President was greatly dismayed at the results. He discovered that if a student is dedicated to selecting the path of least resistance through some programs, it is possible to fulfill the requirements for a degree by taking a series of course combinations, that were never intended by those who had designed the particular curriculum. He feels that the problem seems to be more prevalent in areas which have a flexible curriculum--not in those with a lock-step design.

President Shapiro made it clear that he considers this a problem that deserves serious attention--a high priority item. He takes the position that curriculum requirements and standards are the prerogative of the faculty, not the administration.

Of the two topics discussed by the President, research and scholarship, and the integrity of the undergraduate teaching programs, the latter is considered the more important because the first has already been focused upon.

President Shapiro thanked the Senate Assembly for their attention and said that he looks forward to discussing both issues with the Assembly in the future.

In response to the President's remarks, Professor Nagy asked if the administration had looked at the role of non-faculty persons in conducting research at the University of Michigan.

President Shapiro responded by indicating that he was aware that this is an issue of continuing controversy at this university and our peer institutions. He has

always been puzzled that some persons at The University of Michigan feel that there is a "dual citizenship" along the lines of research and scholarship. The question of non-faculty persons conducting research at the University will be addressed.

REPORT
ON
HEALTH
MAINTENANCE
ORGANIZATION
FEASIBILITY
STUDY-
LOUIS
SEGADELLI

Mr. Louis Segadelli reported on the progress of the Health Maintenance Organization (HMO) Feasibility Study that has been underway under his direction since September, 1979. He pointed out that this is the fourth such study at the U-M, and that like the others, it appears that this study will show that it would be feasible to establish an HMO in this area.

The first question to be asked when considering the feasibility of an HMO, according to Mr. Segadelli, is whether there is a market - would enough people purchase the program at a given cost? He noted that there are 36,000 people (18,000 including annuitants and 18,000 dependents) connected with the University by employment.

The second factor that must be considered is defining the cost required to make an HMO feasible. Mr. Segadelli feels that HMO benefits in a well operated HMO would be feasible even if it used the facilities of the University Hospital. University employees in the Blue Cross program are currently under a \$100 deductible /20% co-payment plan, and he feels that an HMO would have to improve upon this to make the program attractive enough for those persons to change. He also noted that 5,000 (10,000 including dependents) University Hospital employees now receive free medical care.

There are two basic ways in which HMO's can operate. Participating physicians can practice in their offices and receive their fees from the HMO, or a team of physicians and staff use a common facility. The latter arrangement is termed "Group Practice HMO", and is favored by Mr. Segadelli because it is staffed by committed members, and it is easier to control costs.

Mr. Segadelli explained that it has been found through experience that 25,000 to 30,000 members are required to successfully support an HMO. This break-even figure is called the "critical mass". He indicated that one possible way to increase the population eligible for membership would be to include students. He reviewed the problems associated with student membership, and used

as examples the manner in which HMO programs at other universities have addressed the problem. For example, at Yale University, students are members of the HMO, the cost for each student is \$356 per year, and participation is mandatory.

Mr. Segadelli informed the Assembly that once established it is important to build up an HMO as fast as possible. Federal studies show that it usually takes about four years to reach the break-even point (critical mass) when establishing an HMO.

Other possibilities exist for forming an HMO in this area. For example, there are approximately 150,000 employed persons in the Washtenaw County area that could serve as the population for an area HMO with University participation and more than one HMO facility. Another possibility is a community HMO that allows the U-M population to become participants, but would not be controlled by the University. Mr. Segadelli pointed out that a Michigan law concerning HMO's may cause some problems in this matter because it stipulates that a community HMO must be entirely independent and have a governing body of which one-third of its members are "users" of the HMO. It is not certain that the University would accept this arrangement.

Mr. Segadelli then discussed the membership of the HMO feasibility study committee. He is aware that SACUA and CESF have formally requested that Vice President Brinkerhoff appoint two members of the faculty to the study committee and is confident that this will occur. In his closing remarks, Mr. Segadelli said that he feels that an HMO can succeed on a competitive basis in this area.

Mr. Segadelli remained to respond to questions from Senate Assembly members.

Professor D. R. Brown asked if it would be possible for participating students to receive rebates from insurance plans by which they were already covered? Mr. Segadelli replied that this is unlikely. He added that it would require an extensive study to determine the medical insurance coverage in effect for students. This cannot be determined by the study committee.

Professor Cooper asked what major advantages an HMO program would have over the present (Blue Cross) coverage.

Mr. Segadelli responded by listing three advantages of an HMO. First, the HMO services are available twenty-four hours a day, seven days a week. Second, the participant never has to worry as to whether he or she can receive immediate medical attention and third, the present \$100 deductible/20% co-payment requirement is eliminated in the HMO program.

Professor Cooper then asked if membership in an HMO would preclude belonging to other health plans. Mr. Segadelli answered by saying, "Generally, yes. HMO applicants will have to make a trade-off". He then explained that this is why it takes time for an HMO to reach the critical mass, and demonstrates why there is an advantage in starting an HMO with a large eligible population. He mentioned that persons often delay joining a new HMO in order to observe if it will be successful before joining and discontinuing their other coverage.

Professor Gordon asked if it might be possible to identify populations for an HMO such as persons employed in higher education or the education population in Washtenaw County in order to place some limitation. Mr. Segadelli felt that this was possible, but that it was a question of money. In a small membership HMO, most patients have to be referred for some speciality treatment on a fee-for-service basis. He indicated that it is very difficult to fully staff a small HMO.

Professor Naylor asked how it was possible for small units such as the University Hospital to operate their own medical service program. Mr. Segadelli was not particularly knowledgeable about the hospital program, but he advanced the idea that a small HMO might not be entirely supported by the program, but may use the services of University Hospital physicians and staff.

Professor Kirkpatrick asked Mr. Segadelli about the question of reciprocal use of HMO's in other areas when the situation warranted. He responded that laws require "out-of-area" reciprocity. HMO's, currently few in number, are not evenly distributed throughout the country but medical care can be obtained from physicians not in an HMO if none is available.

Professor Hungerman inquired as to who makes the decision about joining an HMO, the individual or the employer. Mr. Segadelli answered by using the example of Yale University, where a small HMO has become successful.

Membership is mandatory for students and optional for staff.

Professor Naylor closed the discussion of the subject by asking why the University would take the initiative to form an HMO if the majority of the members might be non-university people. Mr. Segadelli indicated that the University would be interested in the formation of such an HMO if it could provide better medical service at a lower cost for its employees.

PROPOSED
MEMBER-
SHIP
CHANGES,
JOSEPH
ULLMAN,
CHAIRMAN,
RULES
COMMITTEE

Professor Ullman, Chairman of the Senate Assembly Rules Committee, presented to Senate Assembly a recommendation for a rules change that concerned Assembly membership for retired Senate members. The proposal was that Article II, Section 1 of The Rules of The University Senate, The Senate Assembly, and The Senate Advisory Committee on University Affairs be amended by adding a new paragraph (3):

- (3) Two non-voting retired Senate members. Two retired Senate members shall be chosen as non-voting members of the Senate Assembly. They shall be appointed by SACUA, with approval of the Senate Assembly and in consultation with the University of Michigan Annuitants Association. They shall serve staggered two-year terms, beginning at the same time as those elected members of the Senate Assembly.

Professor Cooper suggested that the proposal be changed to read "Two voting retired Senate members".

Professor Kaplan explained that the committee was concerned that if retired members were made voting members, it could change the entire apportionment of Senate Assembly.

Senate Assembly approved the rules change unanimously.

GRADUATE AND PROFESSIONAL STUDENT FINANCIAL AID SERVICE (GAPSFAS) Chairman Corpron briefly reviewed the previously-discussed topic, GAPSFAS and the problems and concerns that have arisen from the University's use of the service. He then invited discussion from the members.

Professor Berg asked if GAPSFAS is to be used only by students who need financial aid. Corpron answered, "yes".

Professor Cooper commented on an article in the Ann Arbor News (January 20, 1980) on GAPSFAS, and said that he understood from it that the service would no longer be used by the U-M. Corpron said that as he interpreted the article, such a decision has not been made at this time.

Professor Nagy asked if we have looked at what our peer institutions are doing to gather this information. He considers the use of GAPSFAS a nuisance for many students and wonders if our requirement for its use might influence students to enroll at schools that do not use it.

Chairman Corpron summarized SACUA's feelings about the use of GAPSFAS, including the faculty's concerns about the need for the service for graduate students applying for research and teaching assistantships. A letter to the administration expressing SACUA's concerns about GAPSFAS has been sent.

Professor Hilbert asked if SACUA had received an answer yet. Corpron said no, but that SACUA has no reason to think that a reply will not be forthcoming. Professor Hilbert stated that students are still receiving GAPSFAS forms. Professor Romani said that it was his understanding that GAPSFAS is still being required for graduate students applying for enrollment in the Fall of 1980. The main concern now is that it will not continue to be required after 1980.

Professor Nagy pointed out that Stanford University requires the information that GAPSFAS provides because their awards are based on family income. Michigan, however, bases their awards on merit.

Chairman Corpron indicated the concern of SACUA that the information gathered by GAPSFAS is administrated by a testing service at a remote site and that we have no control over its use.

Professor Naylor reiterated the point that the needs

of all graduate students are not the same. Research assistants and teaching assistants should not be confused with those students applying for financial aid.

Professor D.R. Brown said that he understood that the University needs information on the financial needs of graduate students, but not for making actual awards. He has asked why such information could not be obtained anonymously from graduate students by the U-M, but was told that this could not be done.

Professor Wynne asked if the University would accept graduate students for the Fall term in 1980 who did not use GAPS FAS. Chairman Corpron said they could be accepted, but they would be required to use GAPS FAS if they wanted financial aid.

Professor Berg indicated that he felt strongly that the University should not use GAPS FAS, because the University has no control over the use of the information gathered by the service.

ELECTION OF NOMINATIONS COMMITTEE During the course of the meeting, Senate Assembly members selected a Nominations Committee. Members elected were: Hugh Cooper, Richard Corpron, Mary George, William Porter, Donald Portman, and James White.

OTHER BUSINESS There was neither old nor new business.

ADJOURNMENT The Assembly adjourned at 5:15 p.m.

Charles C. Kelsey
Senate Secretary