January 15, 2009

MEMORANDUM

To: Executive Committee of the Academic Council

From: Peter Lange

Re: Department of Dermatology in the School of Medicine

I am pleased to submit the attached proposal for the creation of a Department of Dermatology in the School of Medicine. I submit this proposal to ECAC for discussion and consideration with my fullest support. I do so after full discussion by the appropriate committees of the School of Medicine and by the Academic Programs Committee and their approval of the proposal.

Attachments

PL/pjm

Duke University
DEPARTMENT OF SOCIOLOGY
BOX 90088
DURHAM, NC 27708-0088

LYNN SMITH-LOVIN
ROBERT L. WILSON PROFESSOR OF SOCIOLOGY

TELEPHONE: (919) 660-5786
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January 14, 2009

Professor Peter Lange
Provost
Office of the Provost
220 Allen Building
Campus

Dear Peter,

I am writing to inform you of action taken at the January 7th meeting of the Academic Programs Committee regarding the School of Medicine's proposal for a transition for the Division of Dermatology to Department of Dermatology status. The committee voted unanimously to approve transition as described in the document dated December 2008 ("Division to Department Transition—the Dermatology Case") and the Memorandum of Understanding signed by the relevant participants in April and May of 2008. The APC found the consultant's report dated May 29, 2007, and the other materials that were presented at our meeting very helpful. The committee was impressed by the careful, thorough development of the proposal. Since this is likely to be the first of several transitions of this type, we appreciate the though that has gone into the matter, as well as our opportunity to participate in the review process.

Sincerely,

Lynn Smith-Lovin
Robert L. Wilson Professor of Sociology
Chair, Academic Programs Committee

cc: Nancy Andrews
Mike Coffe
Russell Hall
Amy Abernathy
John Simon
Sharon Peters

DUKE UNIVERSITY HEALTH SYSTEM

Michael Cuffe, MD, FACC
Vice President for Medical Affairs

October 3, 2008

Peter Lange, Ph.D.
Provost, Duke University
Box 90005
Duke University

Dear Provost Lange,

As we discussed last week please find the following documents regarding your consideration of a new Department of Dermatology in the School of Medicine:

- Letter from Dean Nancy Andrews requesting review
- Letter of review from the Clinical Sciences Faculty Council
- Copy of Dermatology pre-review including outside expert opinion
- Copy of Dermatology Memorandum of Understanding with the School of Medicine, Department of Medicine, Hospital and Health System

We would appreciate your review and forward consideration. Dean Andrews is prepared to present the case for this Department at Academic Council at your earliest approval and convenience.

Sincerely,

Michael Cuffe, MD
Vice Dean Medical Affairs, School of Medicine
Vice President Medical Affairs, Duke University Health System

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DUKE UNIVERSITY SCHOOL OF MEDICINE
Michael Cuffe, MD
Vice President for Medical Affairs
Duke University Health System
Vice Dean for Medical Affairs
Duke University School of Medicine

MEMORANDUM

Date: September 21, 2008

TO: Medical Center Academic Affairs Committee

FROM: Mike Cuffe, MD, Vice Dean of Medical Affairs

SUBJECT: School of Medicine: Review of Existing and Potentially New Departments

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The Duke School of Medicine performs ongoing reviews of all Departments, Centers, and Institutes including a major review of all Departments at least every five years. During the ongoing reviews, we periodically identify Departmental Divisions that appropriately aspire to move to the status of an independent Department. For these Divisions, Department status can be an important step to the development of a nationally recognized, successful clinical and research faculty.

The School currently has eleven clinical Departments. Seven of the eleven were 'original' Departments established in 1930-1. In the past 17 years, Duke has transitioned only one Division to Department status (See Table A). This count remains small compared with our peers.

Table A

Department	Created
Medicine	1930
Obstetrics and Gynecology	1930
Pathology	1930
Pediatrics	1930
Radiology	1930
Surgery	1930
Psychiatry	1931
Ophthalmology	1965
Community and Family Medicine	1966
Anesthesia	1970
Radiation Oncology	1991

In 2007 a School of Medicine committee, empanelled by then Dean Williams, established criteria for potential new departments. These criteria included:

1. Comparison with National Models
Classification must be consistent with Department or Division status among top national peers.

2. Development of robust clinical practices
Provide a comprehensive, broad-based clinical service to our patients.

3. Competitive and Nationally Recognized Research
Departments must ideally be positioned to achieve at the top ten in the country in external research funding.

4. Nationally Accredited Education
All Departments must have an ACGME and ICGME approved post graduate training programs that are free standing from other Department educational programs.

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5. All Missions Budget
Departments must be financially self-sustaining. Divisions applying to become a department must have University accounts $\geq$ 10% of their projected all mission yearly budget

6. Administration and Leadership
Departments will create infrastructure to support necessary administrative functions

7. Evaluation of Impact on other Departments

Currently, five Divisions (Dermatology, Emergency Medicine, Neurology, Orthopedics and Urology) are under review for Department status; although several of these may move forward for consideration, it is clear that others are not appropriate at this time. Table B demonstrates Duke's Department status of these Divisions in comparison to the 2007 top 20 US News and World Report Medical Schools and other nationally recognized peers. In all instances, the Department status would allow these divisions to effectively grow their specialized clinical area, meet specific review board requirements, and better compete with other nationally-ranked departments.

Table B

Top US Medical Schools, Departments of:			
	Dermatology	Neurology	Orthopedics
Harvard			
Johns Hopkins			
Wash U.	No		
U. Penn			
UCSF			
Duke	No	No	No
U. Wash	No		
Stanford			
UCLA	No		
Yale			
Columbia			
U. Mich			
Baylor			
UCSD	No		
U. Pitts			
U. Chicago	No		No
Vanderbilt	No		
Cornell			
UNC			
Emory			
Top US Hospitals not included above			
Mayo Clinic			
Cleveland Clinic			

Periodically (and with the consent of the Duke School of Medicine leadership), we will bring potential new department proposals for your consideration as part of the formal institutional review and approval process. This committee's review and approval/disapproval will be requested only after (1) Senior Duke Medicine leadership have approved the possible transition, (2) review by the

Considering New Departments:

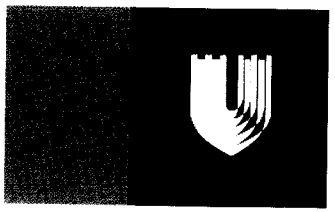
The Transition from Division to Department

Presentation to ECMS

September 15, 2008

DukeMedicine

Department Definition



A regular Department exists in three distinct entities:

1. School of Medicine, therefore Duke University
2. Private Diagnostic Clinic
3. Duke University Hospital
   - for purposes of JCAHO and of credentialing
   - according to medical staff bylaws

Clinical Departments

- There are eleven, seven are original to 1930-1931
- Radiation Oncology was the last established, from Radiology, in 1991
- Principles (2007):
  - Clinical Practice
  - Department Leadership
  - National Model
  - Research Portfolio
  - Education
  - Impact on other Depts.
  - Administrative Support
  - All missions budget

Department	Created
Medicine	1930
Obstetrics and Gynecology	1930
Pathology	1930
Pediatrics	1930
Radiology	1930
Surgery	1930
Psychiatry	1931
Ophthalmology	1965
Community and Family Medicine	1966
Anesthesia	1970
Radiation Oncology	1991

Divisions Considered for Department Status within DUSOM and DUH

- Dermatology
  - Discussion initiated by Dean, DUSOM
  - Seed philanthropy involved
  - Broad internal review, establishment of principles
  - Review by CSFC and outside expert panel (May 2007)
  - MOU established through efforts 2007-2008
  - Operating within PDC as segregated entity (July 2008)
  - Planned transition by January 1st, 2009
- Others considered in 2008-2009 academic year
  - Neurology
  - Emergency Medicine
  - Orthopedic Surgery
  - Urology

Duke Divisions of Medicine and Surgery compared to our academic and clinical competitors

Principles:

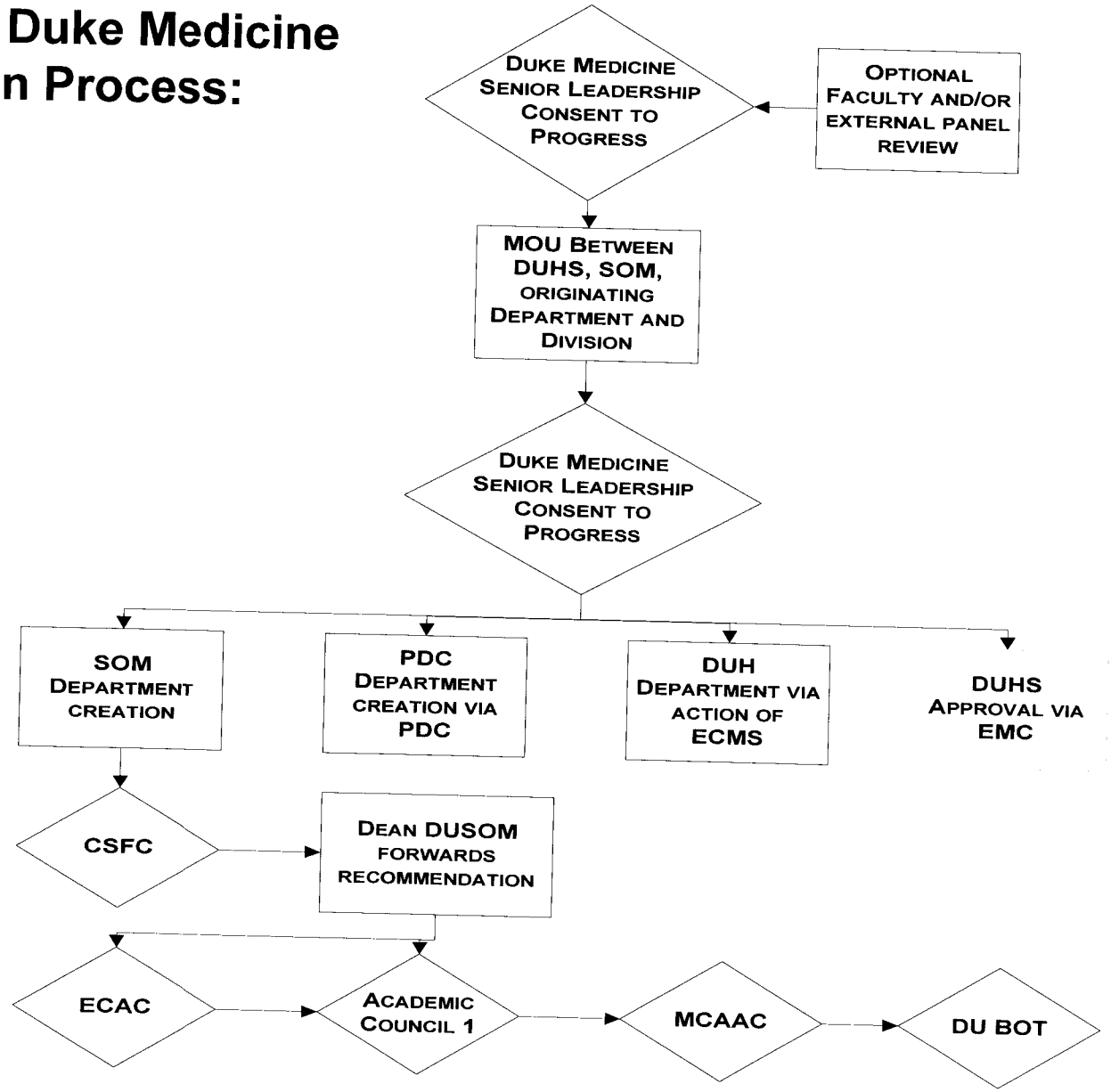
- Clinical Practice
- Dept. Leadership
- National Model
- Research Portfolio
- Education
- Impact on other Depts.
- Administrative Support
- Resource/Space Needs
- All missions budget
- Strategic Plan

Top US Medical Schools, Departments of:

	Dermatology	Neurology	Orthopedics	Urology
Harvard				
Johns Hopkins				
Wash U.	None			None
U. Penn				None
UCSF				
Duke	**None**	**None**	**None**	**None**
U. Wash	None			
Stanford				
UCLA	None			
Yale				None
Columbia				
U. Mich				
Baylor				
UCSD	None			None
U. Pitts				
U. Chicago	None		None	None
Vanderbilt	None			
Cornell				
UNC				None
Emory				
Top US Hospitals not included above				
Mayo Clinic				
Cleveland Clinic				

DukeMedicine

Overall Duke Medicine Decision Process:



DukeMedicine

Duke University
School of Medicine

Nancy C. Andrews, M.D., Ph.D.
Dean, Duke University School of Medicine
Vice Chancellor for Academic Affairs

August 25, 2008

Peter Lange, Ph.D.
Provost, Duke University
220 Allen Building
Durham, NC 27708

RE: Proposed Creation of a New School of Medicine Department of Dermatology

Dear Peter:

As you know, the School of Medicine and the Health System have been evaluating the clinical Departments and their Divisions, comparing our current organization to peer institutions and considering changes in structure to better serve our faculty.

Dermatology, currently a Division of the Department of Medicine, is being considered for Department status within the School, hospital, and faculty practice plan. Dr. Russell Hall, chief of the Division of Dermatology, presented a proposal to form a separate Department of Dermatology to the membership of the Clinical Sciences Faculty Council in April 2008. The Council approved this proposal (please see attached). In preparation for a review by the Executive Committee of the Academic Council (ECAC) and full approval by the University Board MCAAC and Trustees by the end of December 2008, we respectfully request your guidance on 1) verification of the need for a review by the Academic Council and 2) scheduling of this agenda item at ECAC and University Board of Trustees meetings (and Academic Council, as needed).

I believe that the transition of the Dermatology Division to departmental status will promote academic and clinical growth, allow this group to gain further local and national recognition, and best serve the needs of the School and its Faculty. We appreciate your support.

Sincerely,

Nancy C. Andrews, M.D., Ph.D.

cc: Victor Dzau, M.D., Chancellor
Michael Cuffe, M.D., Vice Dean for Medical Affairs, Duke School of Medicine

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Mary Ann Gleim, MLT
Melissa Hall
Christine Mette, RN
Letita Talbott, CMA
Elizabeth Thames, RN

May 28, 2008

Nancy C. Andrews, M.D., Ph.D.
Dean, Duke University School of Medicine
Vice Chancellor for Academic Affairs
Room 125, Green Zone, Duke South
Durham, NC 27710

RE: Request from the Division of Dermatology to become a Department of Dermatology

Dear Dean Andrews:

Dr. Russell Hall, chief of the Division of Dermatology in the Department of Medicine, presented a proposal from the Division of Dermatology to form a separate Department of Dermatology to the membership of the Clinical Sciences Faculty Council on April 24, 2008. This proposal is based on the observation that Dermatology is an independent department in over 90% of major academic medical centers, which places Duke at a disadvantage when recruiting residents and faculty. By becoming an independent department, Dermatology will also be able to grow intellectually and fiscally.

The membership of the Clinical Sciences Faculty Council approves this proposal by Dr. Hall and the Division of Dermatology. As this moves forward, however, the CSFC membership did recommend that the following concerns be considered: (1) preservation of mechanisms for teaching medical students and housestaff in the clinical departments; (2) access to dermatology consults, both inpatient and outpatient; and (3) that the dermatopathology program would remain within the Department of Pathology and not become a part of the Department of Dermatology.

The CSFC welcomes the opportunity to participate in this process and we look forward to the progress of this request to form a new Department of Dermatology

Sincerely,

Thomas Ortel, M.D., Ph.D.
Professor of Medicine

CC: Dr. Russell Hall; Dr. Eugene Oddone
TLO:dd

DukeMedicine

R. Sanders Williams, M.D.
Senior Vice Chancellor for Academic Affairs
Richard and Pat Johnson University Professor of
Cardiovascular Genomics

Memorandum of Understanding
Dermatology Agreement for Department Status

Purpose:
The Division of Dermatology is proposed to move to Department status in the School of Medicine. This is supported by the faculty and division leadership, and by the Chair of the Department of Medicine.

A business plan has been developed by Dermatology, with the assistance of the PDC, which demonstrates long term viability as a department, after a ramp-up phase of 3 years. There are financial risks, however, and the risk mitigation steps will be defined below.

Dermatology will begin department status at the earliest possible date by which University policies and procedures governing creation of new departments can be fulfilled. However, we will begin on July 1, 2008 to manage the fiscal affairs of Dermatology as a discrete cost center and management unit reporting to the Dean, according to the principles of this agreement.

The School of Medicine:

- Dermatology will receive 2008-09 General Funds support as defined by the Clinical Department formula:
  - the percentage of indirects which is standard for all Clinical Departments, based on prior year actual indirects.
  - Funding for UME and GME didactic, based on e-RVUs
  - 50% chair support, based on AAMC 50th percentile benchmark
  - Space expense
  - overhead allocation consistent with the rate applied to all clinical departments

- SOM will provide $2M to supplement income from the Pinnell endowment for recruitment of 2 or more DukeMed Scholars for skin research (requires endorsement of DukeMed Scholar committee)

- SOM will provide new lab space for two DukeMed scholars in skin research.

Graduate Medical Education:

- The Department of Dermatology will determine the number of residency slots they believe to be appropriate to their mission and will be financially responsible for residency slots not funded by DUH, VA or other outside funding sources.

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However, the School of Medicine will not incur financial risk for the GME decision. Funding from DUH and VA will be negotiated on an annual basis in the same manner as other departments.

The Department of Medicine:

- DOM agrees to work in a cooperative manner to establish financial autonomy for Dermatology in year fiscal year 2009, including the correct assignment of indirects, payments for didactic medical student education, Dermatology's portion of the SOM payment for rounding with undergraduate medical education trainees, space expense and institutional overhead cost. Policies concerning theses fund flows that are applicable to other clinical departments will be applicable to Dermatology as well. If University systems will not automatically create the calculations, manual changes will be made until the systems catch up.

- During a transition period extending until September 1, 2008 and thereafter only by mutual agreement, DOM will provide administrative services to Dermatology in the areas of accounting, space renovations and management, human resources, payroll, clinical performance metrics, pre- and post-award basic science grants administration, faculty appointments and promotions, IT support, international recruitment and retention, compliance requirements such as annual COI and mandatory training, etc.in exchange for reasonable overhead payments (this charge may be evaluated for fairness by the Dean's Office if requested).

- In exchange for reasonable overhead payments, if so desired by Dermatology, DOM will continue to serve as the SBR for Dermatology clinical research for FY09, FY10 and FY11. As part of budget planning for FY11, the SBR arrangement will be re-evaluated.

- The SOM will assign current Dermatology division space to the new Department.

- After FY08 final close, all fund codes in the Dermatology division would move to the new Department, consistent with the prior intent of the use of the funds.

- Technology transfer funds payable to a Department that are attributable to inventions by faculty of the new Dermatology Department while they were member of the Department of Medicine will be allocated as determined by the Dean of the School of Medicine.

- DOM will work with PDC and Dermatology to identify the clinical overhead associated with Dermatology, including business services, PRMO, Clinical Trial Billing Office and clinic costs. In addition, DOM will provide support to train Dermatology staff in provider credentialing functions by September 1, 2008.

Dermatology:

- Dermatology will establish minimum "working capital" reserves of $3 mil (funds available to support operations in an emergency) within 5 years, by a combination of current reserves, new philanthropy and excess 5b. All discretionary funds to the department will be held as backstop until other department reserves achieve this threshold, after which they will be released for their appropriate purposes.

- Dermatology guarantees to achieve, at a minimum, balanced University and PDC budgets on an annual basis. Any shortfalls would be covered from department reserves or from a 5b transfer in excess of budget. There can be no unplanned call on SOM central funds.

- Dermatology agrees to meet clinical department standards for SOM research metrics used to define strong performance. While guaranteeing at least a balanced budget, the department agrees to grow its academic mission and will meet standards for research performance. This implies that either the 5b must be at or above the business plan, or other outside sources of funding will be secured.

- Dermatology will provide training to DOM residents under terms to be negotiated with the DOM and DUHS. If these parties cannot reach agreement, then the Dean of the School of Medicine will arbitrate.

- Dermatology will be responsible for the financial impact of corrections resulting from any audit findings related to their faculty activities through June 30, 2008, including grants administration, Medicare audits, etc., under usual and customary expectations applied in like manner to other Departments.

- Dermatology will respond and staff urgent and routine inpatient consultations at DUH consistent with hospital bylaws and PDC guidelines.

- Dermatology will provide outpatient urgent and general routine consultations at the Duke Clinic (Duke South) each normal business day. Routine request for consultations will be scheduled and accommodated within 7 days.

To satisfy the faculty that the above terms are reasonable, based on the most recent financial data, it is suggested that the division business leadership work with the Department of Medicine, PDC and SOM Finance Office to update the proforma for 2007 and for projected 2008 data.

Division to Department Transition – The Dermatology Case

Executive Summary, September, 2008

Dermatology faculty at Duke have long argued that their productivity in all missions – patient care, research and education – would be enhanced if they were granted the Departmental status held by faculty in this medical specialty at almost all other US medical schools. In 2003 Dermatology leadership presented a detailed white paper making the case for such a transition. Serious consideration of such a transition was initiated in 2006 by then School of Medicine Dean Williams.

Following preliminary discussions with Duke Health System and faculty practice leadership (represented primarily by Paul Newman), Department of Medicine leadership (Dr. Harvey Cohen), and the faculty of Dermatology (led by Dr. Russ Hall), Dean Williams assigned Associate Dean Pappas to develop and follow a process for evaluating the merits of Dermatology's petition to guide an ultimate decision by Duke Medicine leadership. The process included the following components that were completed between January and July 2007:

1) The generation of general goal criteria in evaluating a division prior to conversion to a department, and application of these criteria to the Dermatology case (Attachment A);
2) Self-assessment by Dermatology of critical variables for consideration (Attachment B);
3) Interviews seeking recommendations from relevant leaders, faculty, residents and staff (Attachment C);
4) Consultation with distinguished Dermatologists from outside of Duke (Attachment D);

The process continued through several additional steps under the direction of Chancellor Dzau and new Dean Nancy Andrews. These were accomplished between September 2007 and September 2008:

5) Formation of an ad-hoc Committee on Emerging Departments to provide faculty recommendations (Attachment E);
6) Development of a Memorandum of Understanding (MOU) to define terms under which a new department would be formed, to which major stakeholders (School of Medicine, Dept of Medicine, DUHS, faculty of Dermatology) would agree.
7) Establishment of sub-ledger accounts within the Department of Medicine's PDC faculty practice to segregate Dermatology sources and uses of funds as a prelude to potential separation (effective July 1, 2008).
8) Delineation and confirmation with the University Provost of the pathway towards new Department creation, which had not been pursued in the School of Medicine in over 15 years. (Attachment "Considering New Departments")
9) Approval by Chancellor Dzau and Dean Andrews

It is understood that the follow steps remain before regular rank full School of Medicine Departmental status could be granted:

10) Review by Academic Council, and approval of Provost, President and Trustees.
11) Creation of a hospital Department by approval of the Medical Center Executive Committee and subsequent confirmation by the Duke University Health System Board of Directors, pending University Decision
12) Creation of a PDC faculty practice Department, contingent on University Decision

Attachment A

Dermatology Departmental Analysis, Executive Summary

Criteria for Conversion of Division to a Department

1. The Dean of the School of Medicine has the responsibility to authorize an analysis to consider division conversion to Departmental status.

2. Reserve Funds
Divisions that are in consideration for Departmental status should have financial reserves in University accounts equal to or greater than 10% of their projected all mission yearly budget.

3. Department Leadership
The Dean of the School of Medicine has discretion in selecting a new chair for a new Department. In most cases an interim chair will be appointed (often the existing division chief) and a search for the new chair of the Department will begin at the discretion of the Dean.

4. National Model
We recognize that the division/structure at Duke may differ from structure that may occur at other schools. If greater than 90% of Medical schools in this country classify a functional group as a Department (instead of a division) our School of medicine will likely re-evaluate our own structure relative to that Department.

5. Clinical Practice
The clinical practice must be broad-based and comprehensive and represent an important clinical resource for our patients commensurate with other clinical programs at Duke. The clinical practice must be self sustaining from a financial point of view (immediately upon separation) without requiring subsidy from the School of Medicine. Subsidy from the health system (hospitals) may be necessary or encouraged based on synergy with the system.

6. Research
Within 5 years the new Department must be top 10 in the country in external funding for research in like Departments. The research must be financially self-sustaining (with the assistance of internal financial subsidy from clinical dollars via a 5b mechanism, or other intra-departmental dollars). Medical School subsidy will occur at the discretion of the Dean.

7. Education
The new Department must have an ACGME (and ICGME) approved postgraduate training program that is free standing from other Department educational programs. The primary training program in the new Department should be top 10 calibers within 5 years of separation. Funding for all GME positions (ACGME and non-ACGME approved) must be defined and accounted for. Residents, clinical fellows and research fellowships must be funded through defined mechanisms (hospital, School of Medicine GME pool, external sources, clinical dollars, etc). If positions cannot be financially supported by

defined sources, the educational programs must be down-sized when the new Department is created.

8. Impact of separation on other Departments (or centers or health system entities)
If there are winners and losers when a division separates as a new Department, are the losses manageable or has irreparable harm been done to the Department (or entity) that has been negatively impacted?

9. Administrative Support
Any new Department must carry on all the functions of established Departments. The new Department may purchase services from existing Departments for infrastructure that they choose not to reproduce (examples include research administration, credentialing, GME oversight, financial management).

10. All Missions Budget.
The all missions budget for the new Department must be projected over five years and have no projected subsidy requirement from the School of Medicine.

Application of the criteria for new Departmental Status of the Duke Division of Dermatology

1. National Model
The national model for Dermatology is as a Department. There are only two major medical centers in the country (other than Duke) where Dermatology is still a division.

2. Clinical Practice
Dermatology is clearly a distinct clinical discipline. The programs at Duke are broad based and considered high quality. The clinical programs are likely to become more robust after Departmental status is realized. Nationally, the clinical practice of dermatology is financially stable and often robust. Based on the appended financial analysis it is reasonable to assume that the clinical practice of dermatology at Duke under departmental status will be financially stable and self sustaining after 5 years during which time there will be projected growth in the clinical programs.

3. Research
Currently Dermatology has two externally funded grants. The projections appended to this report allow for the recruitment of two additional investigators who would be expected to be funded within 5 years. Four to 5 externally funded grants will put a new Department of Dermatology in the top 10 in the country for like Departments (most Departments of Dermatology around the country are not well funded for research and are best known for their clinical endeavors). With modest indirect cost recovery from the School, after 5 years, this research program would likely be self supporting (with the help of 5b dollars). The research programs that are expected to grow are cancer (melanoma) and immunology (inflammation) based and would be suitable for Medical School investment if the Dean was so inclined. The appended financial estimates do not assume School subsidy for these programs other than the modest indirect cost recovery.

4. Education
Dermatology has a moderate sized (three residents per year) well established free standing ACGME and ICGME approved residency. It would change little under departmental status. The funding of these positions is well discussed in the appended financial analysis. The analysis assumes that eventually a major portion of the cost of these residents will be covered by School of Medicine GME dollars (with minor funding from Duke Hospital).

5. Other Department Impact
The Department of Medicine will undergo very little change either financially or administratively if Dermatology becomes a Department. The Department most impacted by a Department of Dermatology would be the Department of Pathology. There is still on-going discussion concerning the movement of up to 80% of the dermatopathology from the Department of Pathology to the new Department of Dermatology. There is a potential shift of up to $500,000 in clinical revenue if this movement occurred. The net 5b that would be generated to the new Department of Dermatology (and lost from the Department of Pathology) is substantial and could be as high as $100,000/year. Further modeling of these dollars must occur to fully understand the impact. This shift in clinical work would occur over time which would allow for the Department of Pathology to cope with the financial loss.

6. Administrative Support
The attached financial analysis assumes that the new Department will recreate all necessary administrative functions with minimal additional costs ($30-40,000 in additional financial support for administrative function over and above what they currently pay).

7. All Missions Budget
The budget projections over the first 5 years of Departmental status create a yearly loss for the new Department in excess of what can be covered by their reserves. This loss is created by growing the research portfolio, increasing the clinical faculty, and paying portions of GME support. If the School of Medicine contributes zero dollars to GME, the losses are unsustainable unless the residency significantly downsizes. The assumptions about School GME support in this analysis (60-70% of the GME dollars are assumed to be covered by the School, the rest by the division, the VA, and the hospital) must be defined before we go forward with Departmental status. Dollars that may be assumed to be coming from a donor have not been included in the attached analysis. If $5,000,000 has, in fact, been committed to this new Department then the losses sustained in the first 5 years can be covered without assistance from the School. Without these donor dollars, the all mission budget will need Medical School subsidy for the first 5 years. It is likely that the new Department will not need long term subsidy to the operational budget after five years. This projection is based on the assumption that a) a long term mechanism for GME funding is established, b) the clinical programs grow sufficiently to generate a greater 5b to support the academic programs, this will certainly occur as the Mohs program grows in approximately 2012 or 2013, c) modest indirect cost recovery continues as the research programs grow.

Theodore N. Pappas, MD
5/18/2007

Attachment B

DUKE UNIVERSITY MEDICAL CENTER

Russell P. Hall III MD
J Lamar Callaway Professor and Chief
Division of Dermatology
Department of Medicine

January 18, 2007

R. Sanders Williams, MD
Dean
Duke University School of Medicine

Dear Sandy,

Attached is our list of issues that should be considered during your evaluation of dermatology. If you have any questions or if can provide any additional information please let me know.

Thank you again for your efforts on this issue. We are all very enthusiastic about the process that you outlined. The entire faculty of Dermatology and I look forward to working with you as this process unfolds.

Sincerely,

Russell P. Hall III M.D.
J. Lamar Callaway Professor and Chief
Division of Dermatology
Department of Medicine
Duke University School of Medicine

Box 3135 • Durham, North Carolina 27710
Telephone (919)-684-3110 • Fax (919)-684-3002

January 18, 2007

To: Dean Williams

From: Russell P. Hall III MD

Re: **Dermatology Department Conversion Issues:**

Critical Variables for consideration:

1) Space available for expansion of clinical services in outpatient setting
2) Identification of clinical space for outpatient services that:
    a) Allows for active participation in hospital consult service
    b) Close to main campus for participation with basic research activities and clinical activities at Duke Hospital, VA Hospital and Duke Clinics
    c) Anticipates addition of 2 clinicians
    d) Keeps faculty and resident activity in close proximity
    e) Educational Space on site
3) Administrative Overhead
4) Research Space located in closer proximity to main research focus of DUMC
    a) Dermatology committed space
5) Recruitment of new scientist and physicians and growth of research effort
    a) Adequate start up packages available (space and funds) to recruit outstanding scientist
    b) Development of endowment fund to support transition funding (see #10 below)
    c) Development of endowed Professor (fixed time frame) for faculty in research (see #10 below)
6) Recruitment and retention of clinicians and clinician educators
7) Funding of categorical residency
8) Funding of fellowship programs
9) Dermatopathology
    a) Development of potential service laboratory
    b) Improvement of quality of current dermatopathology processing
    c) Close physical proximity to Dermatology
    d) Maintaining educational missions for Pathology and Dermatology
    e) Ability to utilize dermatopathology generated resources to build academic and clinical effort (Free standing 'cost center within pathology' vs. within Dermatology)
10) Fund Raising
    a) Funding of Professor in Pediatric Dermatology
    b) Funding of Professor in 'Clinical Dermatology' (rotating in order to allow focus on clinical education for period for many different clinician educators)
    c) Funding of Scientist for both development of careers and bridge funding (consider rotating awards every 3 – 4 years)
    d) Funding of laboratory fund to provide support for innovative new ideas, bridge funding etc.
11) Medical Student Education
12) Non-Dermatologist Education
    a) PA
    b) Medical and Pediatric Residents
    c) Family Medicine Residents
13) Relationship with VA Medical Service
14) Aesthetic Center and Potential expansion of Dermatology Aesthetic practices
15) Wound Care Unit(s)
    a) Expansion of Wound Care model into Raleigh?
    b) Hospital Wound Care Clinic and Practice
16) PDC/PMRO Operations

Box 3135 • Durham, North Carolina 27710
Telephone (919)-684-3110 • Fax (919)-684-3002

Stake Holders in possible conversion:

1) Department of Medicine
   a) Training of Medical residents
   b) Financial issues
   c) Inpatient coverage
2) Department of Pediatrics
   a) Training of Pediatric Residents
   b) Pediatric outpatient services
   c) Pediatric consultation
3) Department of Surgery
   a) Aesthetic center presence
   b) Expansion/reorganization of Aesthetic practice
   c) Wound Care Practice
4) Department of Ophthalmology
   a) Aesthetic center
   b) Expansion/reorganization of Aesthetic practices
5) Department of Pathology
   a) Dermatopathology clinical services
   b) Dermatopathology Professional income
   c) Education of pathology residents
6) Department of Community and Family Medicine
   a) Education of Family Medicine Residents
   b) Education of Physician Assts.
7) VA Hospital
   a) Organization of dermatology services within Medicine service vs. within ambulatory care?
8) PDC/PMRO

Possible Consultants:

John Vorhees MD
Professor and Chair
Department of Dermatology
University of Michigan

Lowell Goldsmith MD
Professor
Department of Dermatology
University of NC Chapel Hill
Former: Dean, Chairman of Medicine, Chairman of Dermatology
University of Rochester
Rochester, NY

Thomas Lawley, MD
Dean and former Chairman of Dermatology
Emory University
Atlanta, GA

Dennis Roop, PhD
Director,
Charles C. Gates Regenerative Medicine and Stem Cell Biology Program
University of Colorado
Denver, Colorado

Kathleen J. Green, Ph.D
Professor Pathology
Northwestern University
Chicago, Ill.

Lynn A. Cornelius MD
Associate Professor and Chief
Division of Dermatology
Washington University
St. Louis, Missouri

Kevin Cooper MD
Professor and Chair
Department of Dermatology
Case Western Reserve University
Cleveland, Ohio

John R. Stanley MD
Professor and Chair
Department of Dermatology
University of Pennsylvania

Gerald Lazarus M.D.
Professor, Dermatology
Johns Hopkins University School of Medicine
Baltimore, MD
Former Dean, University of California Davis, Former Chair Dermatology University of Pennsylvania

Barbara Gilchrest MD
Professor and Chair
Department of Dermatology
Boston University
Boston, Mass

Formal Proposal: Creation of a Duke Department of Dermatology

This document represents a formal proposal to the Duke School of Medicine to create a new Department in Dermatology. The support documents for this proposal are appended. This proposal will create the argument for Dermatology as a Department at Duke and will discuss the operational issues that will be important in creating this new department.

Rational.

The Dean of the School of Medicine at Duke has created criteria for conversion of divisions to independent departmental status. The rational for conversion of the division of Dermatology to a Department will be constructed in light of these criteria. Each paragraph below lists the criteria for transition followed by the Dermatology specific issues related to those criteria.

National Model. Is the proposed division a department at 90% of the medical schools in the country?

Dermatology as a department is the national model. There are only 4 major medical centers in the country (other than Duke) where Dermatology is still a division (Washington University St.Louis, Mo., University of Washington, Vanderbilt University and UCLA). Major competitors both regionally (UNC- Chapel Hill, Emory University, Univ. Alabama Birmingham, Medical University. of South Carolina, University of Virginia, Wake Forest University School of Medicine) and nationally (e.g. University of Pennsylvania, Yale, Harvard, Johns Hopkins University, University of Michigan, Case Western Reserve University) are all Departments of Dermatology.

Clinical Practice. The clinical practice must be broad based and comprehensive and represent an important clinical resource for our patients commensurate with other clinical programs at Duke. The clinical practice must be self sustaining from a financial point of view (immediately upon separation) without requiring subsidy from the school of medicine. Subsidy from the health system (hospitals) may be necessary or encouraged based on synergy with the system.

Dermatology is clearly a distinct clinical discipline. The programs at Duke are broad based and considered high quality. The clinical programs within Dermatology are more representative of a service line with programs focused on adults and children, medical and surgical practice with a large component of pathology (dermatopathology and immunopathology). The current clinical programs at Duke have a national and international reputation for excellence. The clinical programs are likely to become more robust after Departmental status is realized. Nationally the clinical practice of dermatology is financially stable and often robust. The current Division has been financially stable. Based on the appended financial analysis it is reasonable to assume that the clinical practice of dermatology at Duke under departmental status will be financially stable and self sustaining after 5 years during

which time there will be projected growth in the clinical programs as well as substantial growth in the research portfolio.

Research. Within 5 years the new department must be top 10 in the country in external funding for research in like departments. The research must be financially self sustaining (with the assistance of internal financial subsidy from clinical dollars via a 5b mechanism, or other intra-departmental dollars). Medical School subsidy will occur at the discretion of the dean.

Currently dermatology has 3 externally funded NIH grants and contracts. These awards would place the current Division within the top 20 of all Departments of Dermatology. The projections appended to this report allow for the recruitment of 2 additional investigators who would be expected to be funded within 4 years. Four to 5 externally funded grants will put a new Department of Dermatology in the top 10 in the country for like departments (most departments of Dermatology around the country are not well funded for research and are best known for their clinical endeavors). With modest indirect cost recovery support, after 5 years this research program would likely be self supporting (with the help of 5b dollars). The research programs that are expected to grow are cancer (melanoma and non-melanoma skin cancer) and immunology (inflammation) based and would be suitable for medical school investment if the Dean was so inclined. These programs would build on existing strengths within the Division and allow for significant synergy. The appended financial estimates do not assume School subsidy for these programs other than the modest indirect cost recovery.

Education. The new department must have an ACGME (and ICGME) approved post graduate training program that is free standing from other departments educational programs. The primary training program in the new department should be top 10 calibers within 5 years of separation. Funding for all GME positions (ACGME and non-ACGME approved) must be defined and accounted for. Residents, clinical fellows and research fellowships must be funded thru defined mechanisms (hospital, School of Medicine GME pool, external sources, clinical dollars etc). If positions cannot be financially supported by defined sources then the educational programs must be down-sized when the new department is created.

Dermatology has a moderate sized (3 residents per year) well established free standing ACGME and ICGME approved categorical residency. It would change little under departmental status. The funding of these positions is well discussed in the appended financial analysis. The analysis assumes that eventually the cost of these residents will be covered by School of Medicine GME dollars (5 positions), Duke Hospital (2 positions) and Durham VA (2 positions). The residency program is currently recognized nationally as a top 10 program for training academic dermatologist. All fellows (clinical, clinical research, basic research) have always been funded through Division resources (grants or contracts).

Impact of separation on other departments (or centers or health system entities). If there are winners and losers when a division separates as a new department, are the

losses manageable or has irreparable harm been done to the department (or entity) that has been negatively impacted?

The department of medicine will undergo very little change either financially or administratively if Dermatology becomes a department. The department most impacted by a Department of Dermatology would be the Department of Pathology. There is still on-going discussions concerning the optimal manner to promote the growth and academic development of dermatopathology, and whether that growth should occur in Pathology, the new Department of Dermatology or both departments. The financial success of the New Department of Dermatology does not depend on new dollars from dermatopathology growth. The PDC administrative board has a process whereby decisions concerning common clinical programs between departments are adjudicated. This proposal recommends that the decisions concerning the future of dermatopathology be referred to the PDC administrative board for a financial assessment and final decision.

Administrative support. Each new department must carry on all the functions of established departments. The new departments may purchase services from existing departments for infrastructure that they choose not to reproduce (examples include, research administration, credentialing, GME oversight, financial management).

The attached financial analysis assumes that the new department will recreate all necessary administrative functions with minimal additional costs ($30-40,000 in additional financial support for admin function over and above what they currently pay.) Currently essentially all administrative functions have been transferred to the divisions from the Department of Medicine, with most administrative input from the Department of Medicine consisting of oversight.

All missions budget. The all missions budget for the new department must be projected over 5 years and have no projected subsidy requirement from the school of medicine.

The budget projections over the first five years of departmental status create a yearly loss for the new department in excess of what can be covered by their reserves. This loss is created by growing the research portfolio, increasing the clinical faculty, and paying portions of GME support. If the School of Medicine contributes zero dollars to GME then the losses are unsustainable unless the residency significantly downsizes. The assumptions about School GME support in this analysis (55% of the GME dollars are assumed to be covered by the School, the rest by the division, the VA and Duke Hospital) must be defined before we go forward with departmental status. Dollars that may be assumed to be coming from a donor have not been included in the attached analysis. If $5,000,000 has in fact been committed to this new department then the losses sustained in the first 5 years can be covered without assistance from the School. Without these donor dollars, the all mission budget will need Medical School subsidy for the first 5 years. It is likely that the new department will not need long term subsidy to the operational budget after five years. This projection is based on the assumption that a) a long term mechanism for GME funding is established, b) the clinical programs grow sufficiently to generate a greater 5b to support the academic programs, this will certainly occur as the Mohs program

grows in approximately 2012 or 2013, c) modest indirect cost recovery continues as the research programs grow. In the attached budget projections all revenue projections are conservative and it is assumed that no research support would be available for new faculty for the initial 4 years (other than that previously mentioned including 5b transfer and modest indirect cost recovery). Historically new research faculty has successfully competed for at least partial research funding within the first year, which would lessen the negative financial impact in the development of the research mission.

What are the risks if Dermatology stays as a division?

In the appended documents is the list of the current faculty. It is important to note that only 2 of the current faculty were not trained at Duke and that we clearly have an aging division. Academic clinical and research dermatologist are exceedingly difficult to recruit and recruiting is made more difficult due to the unusual administrative structure of Duke Dermatology. It is hard to conceive that we will be able to recruit the young faculty that are needed to replace the busy clinicians, much less grow the division to match the clinical need, from only our own residency program. After extensive analysis the logical assumption is that the division will decline over time and contract its clinical and research positions. The medical center could function with a restructured division that is smaller and carries a simplified clinical mission. Given the high demand for dermatology in the community and at other academic institutions it is unlikely that such a restructured division would be a sustainable position.

Given the divisions' extraordinary history for academic excellence, current academic reputation and the overall strength of Duke Medicine, it seams reasonable to continue to strive to further develop the clinical and research missions to bring Duke Dermatology to a position within the top 5 dermatology programs in the country.

What are the risks if Dermatology becomes a department?

The risks to the medical school are financial. There are several assumptions that have been made in the financial estimates that are attached. If the clinical enterprise falters or if the research and or education expenses increase, the budget gap would likely be covered by the Medical School. To protect the school of this financial loss the following assumptions must be made, 1) all clinical losses must be contained within the PDC budget, all clinical losses must be covered by development dollars, reserves or pay reduction to the physicians, 2) the research programs will be supported by the School limited to spending levels that are preconceived in the yearly budgetary process, 3) all financial support for education must be modeled, unexpected losses must be covered by the division reserves. To guarantee that budgetary over-runs do no occur, the business manager for Dermatology must meet

with the CFO for the School (Scott Gibson) quarterly for the first 3 years, or until financial stability is firmly established.

Transition plans.

This proposal launches the Department of Dermatology in September of 2007. If the Department is to be named, it would be done so in the fall of 2007. During the first 3 months of Departmental function, the PDC would conduct the necessary administrative changes to incorporate a new department in their structure. In addition all approvals for departmental status with the University will be conducted in the fall of 2007. Financial separation with the department of medicine will also occur in the fall of 2007.

Independent status of the residency with the ACGME/ICGME will occur as soon as possible after September 1st. The current residency program exists independently from the Department of Medicine, has full 5 year accreditation and already reports directly to the ICGME. The funding for the five dermatology residents not covered by VA (currently 2 positions) and Duke Hospital funds (2 positions) will be requested from Duke Health System GME funds with expectation that funding occurs as early as July 2008.

The clinical dermatology growth plan includes movement to an off site clinic, this will occur in the summer of 2008. This plan will consolidate all dermatology clinical services (Dermatology, Mohs surgery, Laser surgery) except Wound Care. This new clinic facility will allow for the anticipated clinical growth, improve clinical interaction and synergy and facilitate ongoing clinical research. In addition, this site will establish a more 'patient centric' clinical location which will enhance the growth of clinical services. The addition of 3 new clinical faculty members will occur in 2008, 2009 and 2010. The addition of a fellow in Mohs surgery is anticipated to occur in 2012.

Additional scientist recruitment in Dermatology will occur in 2009 (one scientist) and one in 2010. Additional space requirements for these new funded scientists would be approximately 1500 square feet per investigator. Accomplishing the proposed growth in research would require re-location of present dermatology research to a location within the general research community of the University. This is critical to achieve productivity of current faculty, to provide opportunities for collaboration with existing research groups and to provide an attractive research environment for new Faculty.

One of the first goals of the new Department would be to develop a strategy in collaboration with pathology that allows for the stabilization of the dermatopathology

faculty, improve quality and move the academic performance to the top tier of derm path programs.

Upon creation of the new Department in September of 2007 an interim chair will be appointed. The search for the new chair of the department will begin in September of 2007 with the expectation that the search will be complete and the new chair on campus by July 1st 2008.

Attachment C

Department Status, Division of Dermatology
Summary

On January 25, 2007, Dean Williams asked if I would lead the process to evaluate the merits of the Division of Dermatology in becoming a full department. Following is a summary of the charge, the individuals interviewed and observations made about this decision.

R. Sanders Williams, MD, Vice Chancellor, Academic Affairs & Dean
February 8, 2007
Met and accepted assignment. Dean Williams would like to have the review completed by July 1. Specifically, my charge is to determine if this will be good for the Duke University SOM, good for dermatology, and at least neutral for the Department of Medicine. Also, the review should acknowledge whether Dermatology can run good educational programs, have robust research programs (larger than currently exist and be a self-sufficient clinical enterprise, and be financially independent. We reviewed the list of individuals to be interviewed and additionally he would like two external reviewers.

Ralph Snyderman, MD, Chancellor Emeritus
February 8, 2007
Recommendations:

1. interview all pertinent financial individuals (Morris, Newman)
2. get external opinions on the importance of this decision
3. He was 60/40 in favor of such a decision because he thought dermatology was a potentially separate field from medicine. He also thought that financially they could stand on their own without hurting Medicine. He thought the process of our evaluation should be carefully constructed as other larger divisional decisions were coming. He was worried that Dermatology might not have enough research to expand without a big infusion of cash. He would not proceed without a clear plan to grow their research program.

Rex M. McCallum, MD, Clinical Professor Rheumatology and Associate Medical Director, Duke Faculty Practice
February 13, 2007
Recommendations:

1. increase rvus.
2. use the 10 million for research
3. add high volume providers
4. add another MOHS if possible
5. reduce residency to two per year
6. charge the hospital for call and consult coverage

Paul Newman, Chief Executive Officer, PDC and Vice President, Ambulatory Care
February 14, 2007
Recommendations:

1. do a financial analysis of a 5 year plan for dermatology
2. review financial analysis of Orthopaedics from 4 years ago when they were evaluated for same
3. decide how to best use 10 million donation

Danny O. Jacobs, MD, Professor and Chairman, Department of Surgery
February 15, 2007

1. do the financial analysis
2. calculate net that the SOM will need to provide
3. reduce the residency
4. increase rvu/ftes

Russell P. Hall, MD, Professor and Chief, Division of Dermatology
February 20, 2007
The following plans were discussed.
1. I will meet with Ken Morris, Epstein, Pizzo, Cohen, Nancy Rhodes, Joe St Geme, Levin, Sheldon Pinnell, Monte Brown, a group of residents, the divisional administrator (Virginia King-Barker), Edna Atwater, both PhDs in the division (Yowell and Zhang), the entire faculty in groups.
2. Dr Hall will contact the entire division that I will be meeting with them.
3. Contact two external reviewers to come in to Durham in May to review the proposal.
4. I will work with Paul Newman in the PDC to create a 5 year budget for the division /department
5. Russ will meet with Paul Newman about their future space
Reviewed the Strategic Plan 2003 – (appended).

Harvey Cohen, MD, Professor and Chairman, Department of Medicine
Nancy Rhodes, Business Manager, Department of Medicine
March 7, 2007
Potential negative impact on Medicine

1. minor financial negative impact (net dollars are probably currently a positive flow to medicine but the amount is not significant to them)
2. medicine relies on dermatology for education, these services may be more difficult to obtain
3. teaching dollars from the school to the Department of Medicine that are assigned to Dermatology should be reassigned to another Medicine division if Dermatology becomes a department.

Potential neutral impact

1. no major impact on research, their research effort is small so the change would be minimal
2. the residency is self contained so there would be no change
3. the size of the current clinical enterprise is adequate for medicine, Dermatology as a dept would not hurt the clinical interactions.

Recommendations:

1. they do not believe that the current faculty can be clinically productive enough to survive as a dept (given their weak clinical volumes in the past)

2. there has been no demonstration that Dermatology can attract adequate research dollars to justify departmental status
3. there is no evidence that there are adequate funds available to do a national search for a new Chair of Dermatology.

Expected outcome if they don't become a department.

1. some faculty may leave (including the chief)
2. those leaving might go into practice in our community making further growth in Duke Dermatology difficult due to community competition

3. rebuilding the division would involve a much smaller division with only a clinical mission with a research mission or a broad education mission.

David Epstein, MD, Professor and Chairman, Department of Ophthalmology
February 21, 2007
Recommendations:
Had no objection about this change or any specific thought, but was generally supportive. He will solicit thought from his faculty and email with comments.

Joseph W. St. Geme, III, MD, Professor and Chairman, Department of Pediatrics
March 5, 2007
Observation: No concerns about Dermatology as a Department or any changes in their relationship. He also felt that other Departments would not be affected.

L. Scott Levin, MD, Professor and Chief, Plastics, Reconstruction, Oral Surgery
March 5, 2007
Observations:
Felt strongly that this would be a mistake, especially since he assumed that Dermatology would get more interested in cosmetic surgery and would infringe on his division's patient base. He also does not believe they are appreciably different than his Division and there is not effort for their conversion. Clinically and scientifically they are not big enough.

Sheldon R. Pinnell, MD, Professor Emeritus, Division of Dermatology
March 5, 2007
Observations: He feels strongly that is should be a dept for several reasons

1. should be a department because it is the national model
2. Dermatology will thrive and grow on all missions
3. Medicine will not be hurt by the divorce
4. endowment that he is creating will cover the scientific/clinical growth necessary.

Recommendations:

1. have off campus clinics
2. do cosmetics
3. expand research
4. add clinical faculty
5. add fellows strategically

Virginia Barker, Business Manager, Division of Dermatology
March 5, 2007
Observations:

1. No future expectations for research other than the fact that it must be bigger. Space will stay on the 4th floor or will move closer to other scientists.
2. Clinically, they are expected to grow the clinical faculty by at least 3 in the next 5 years. No plans to grow MOHS. More clinical space needed. All clinical faculty expect that they will increase their productivity to meet the needs of a Department. The volume is expected to jump significantly in new space that is more patient friendly. Current compensation plan offers incentives for volume to only a few faculty members.

Faculty was generally pessimistic of how the division will thrive if a department is not formed. Division problems include:
Inability to recruit good residents as evidenced by last years' match,
inability to recruit faculty with no faculty outside of residency in ten years,
worried about replacing division chief when he retires,
five of the current senior leadership are over 55 years old and hard to replace,
MOHS surgery volume is at risk because only 15% of their cases come from internal referrals; therefore, faculty must grow to support increased volume,
competition is getting better and risk of lose increasing,
Recommendations:
ten year period to expand clinical and research programs,
grow research in cancer and immunology by four investigators,
recruit four general dermatologists, four specialty dermatologist,
grow dermatology pathology with dermatology.

March 30, 2007-Division of Dermatology Faculty
Observations:

1. Clinically it was widely agreed that the faculty needs to expand (probably double over the next 5 to 10 years); with an increase in general dermatology, replacement of senior faculty and probably a second MOHS surgeon. They would like to have their own building, off campus, in Raleigh.
2. They do not feel they any changes are needed to educational programs but would like resolution of funding resident slots.
3. They understand that research must increase and think stem cell research, immunology and more cancer studies should be added. They would add four new PhDs.
4. They named several individuals they would like to see by their Department Chair.
5. They think another dermatology pathology individual should be added.
6. They believe if they do not become a Department, there will be further instability and unable to fill vacancies of senior members.

Theodore N. Pappas, MD
May 2007

Attachment D

DERMATOLOGY as a DEPARTMENT at Duke University

(Consultant's report by Drs. Lawley and Goldsmith)

May 29, 2007

Clinical

After reviewing the extensive financial and non-financial documentation concerning the dermatology program at Duke studying the criteria for establishing new departments, and interviewing members of the institutional leaderships and interviewing most of Dermatology's faculty and residents, we enthusiastically support a decision to make Dermatology a full-standing medical school department. Dermatology has developed an excellent program; with departmental status, Dermatology has the opportunity to become an outstanding highest rank program nationally. As detailed below, all aspects of Dermatology's education, research and clinical missions can be enhanced and can lead to a highly interactive department that will enhance all aspects of the medical center's mission.

The clinical enterprise in the Division of Dermatology is strong and populated mainly by senior highly-skilled faculty with national and international reputations. They tend to practice subspecialty dermatology and have substantial expertise in Mohs surgery, wound healing, pediatric dermatology, etc. They do not have substantial faculty focused on general dermatology. This is due in part to difficulty in recruiting these practitioners because of inability to pay them at or near the salaries that are available in private practice. The faculty would welcome these individuals who would reduce the long waiting times for patients to get an appointment. The faculty who once opposed consolidating their practice venues and moving off of the Duke campus now see this as a potential advantage and would like to explore it further. The faculty expressed concern about quality issues regarding the processing of skin biopsies by the Department of Pathology indicating that it could affect the accuracy of dermatopathology diagnoses. Some of the faculty feel that the Department of Dermatology should be responsible for the technical and professional aspects of dermatopathology.

The faculty is unanimous in their enthusiasm for converting the Division of Dermatology to the Department of Dermatology. They are convinced that this change will facilitate their recruitment of at least 5 new faculty members. They point out that recruiting faculty who have not trained at Duke is very difficult and of 11 faculty members interviewed all but 2 trained at Duke. It is also clear that a number of the high profile faculty are 55 years of age or older and that their eventual successors need to be recruited and groomed for leadership. They propose to recruit a Mohs surgeon, pediatric dermatologist, several general dermatologists and at least two additional investigators.

The clinical enterprise if expanded appropriately could clearly be a profit center for the new department and will help cross subsidize not only generalist practitioners in the department but also the administrative costs of the department. Incentive plans based on

clinical productivity should be considered. It will not be possible for it to fund all but 3 or 4 residency positions in addition. Expansion of the Department along the lines proposed by Dr. Hall should result in Dermatology becoming one of the strongest clinical departments in the nation. Achieving departmental status will improve Dr. Hall's ability to recruit faculty who do not have a Duke training background thus improving the breadth of the faculty. It will also reinvigorate the morale of existing faculty.

Education

Medical Student

All students need education in skin physiology and pathophysiology during the appropriate portions of the curriculum. An introduction to general clinical dermatology during physical diagnosis and the introduction to the clinic are essential for state-of-the-art physician training.

Dermatology Residents

The Duke residents from our brief interviews are of the highest quality based on our experience with the national pool of applicants; furthermore it was very impressive that several of them were taking fellowships in Pediatric dermatology or dermatopathology, and two are entering laboratory training programs at Duke after residency. Recent resident recruiting has been especially thoughtful in arranging discussions with potential laboratory mentors outside of dermatology and making definite research training plans, during the interview and recruiting process, before the match has occurred. Having a significant number of research oriented residents will be essential for raising the academic tone within the program. Residents felt the lack of junior faculty, especially a more diverse faculty, in terms of where trained, were needed for their mentoring, especially for those considering academic careers. Nine residents would be the absolute minimum for a program such as the one contemplated at Duke; aiming for twelve as a full-time steady number would be most reasonable as there will be more practice sites and more attention to teaching the residents on other service. The department should not be expending its valuable resources paying for the direct expenses of all the residents. Since 1 resident FTE would be devoted to a laboratory experience, which is not required for board certification, having the department pay for one resident would be reasonable.

Education of those in other GME Programs

Dermatology should be encouraged to continue active training programs for the residents from medicine and other clinical services. Since this entails resident time and does not add to clinical productivity, this is one of the justifications for using institutional sources rather than through transfer payments from other departments.

Graduate Student

Dermatology PhD and MD/ PhD faculty must be competitive for having graduate students and have the appropriate appointments in basic science departments. Students should be able to do lab rotations and take a PhD degree with an appropriate Dermatology faculty as their primary advisor.

Attachment D

Dermatopathology Fellowship

There is an approved dermatopathology fellowship at Duke that should be maintained. Those fellows are funded through dermatopathology clinical income.

Research

National and regional Perspectives on Dermatology Research

The opportunities for basic and clinically relevant cutaneous biology research are wide open, but triple threat researchers (MD or MD/PhD researchers) are rare. There are a moderate number of PhD researchers working in cutaneous biology. There are a significant number of Dermatology Foundation starter and Career development awards in addition to NIH funding available. Many of the very best people at other institutions will be difficult to move because they are part of large programs and grants at other institutions. The Department of Dermatology at UNC is also trying to attract researchers competitive for extramural funding so there is regional/local competition for such faculty.

Current research laboratory programs

Dr. Hall is internationally recognized as an investigator in autoimmune blistering diseases, especially IgA mediated Dermatitits Herpetiformis. He has always run an NIH-funded laboratory. His expertise brings in referral patients and allows state-of the-art phase II and III drug studies. Dr. Yeowell is a senior researcher in collagen chemistry, recently refunded, part of Dr. Pinnell's collagen program which is in the final stages of winding down. Dr. Yeowell has strong interactions with the RNA center and other parts of the research environment. Dr. Zhang, a new PhD recruit, comes from a strong research program at Stanford and is on track with foundation and NIH grants. She is set to have increased interaction within the institution and can be the nidus for a molecular neoplasia program within dermatology. Dr. Gritchnik, who had NIH funding for stem cells in melanoma, was not refunded and his investigative efforts now are more clinical/translation related to pigmented lesion diagnosis.

Clinical/Translational research in Cutaneous Biology

The department has several serious clinical research interests: biological modifiers of inflammation such as anti-TNF monoclonal antibodies, cutaneous T-cell lymphoma, hair and scalp disease, wound healing and lasers. These are important clinical research areas that could be integrated into a serious nationally visible center. They should take advantage of the extensive clinical research activities at Duke and use available infrastructure to minimize cost and seek out intra-institutional basic science collaborations to enhance the basic science investigations available involving these patients. Rather than individual clinical research enterprises within department clinical research deserves a strategic integrative and organizational plan.

Planning for Dermatology research

To be successful cutaneous biology/dermatology research must integrate with the research strengths of the institution and a strategic plan for research must be detailed with input from other institutional research leaders. Searches for new faculty should have a

search committee with members from outside of dermatology and possibly use external consultants as well. Such searching will let the institution, research community and funding agencies know Duke Dermatology is taking a serious step into the future. The mix of MDs and PhDs and the exact disciplines have to be chosen carefully. Having a limited numbers of major programs will allow synergy; one of each kind of researcher or area of study, if isolated is not a strategy for success.

Pediatric Dermatology

With the very strong presence of immunological and genetic research in pediatrics having a pediatric dermatology recruit who could participate as a researcher with those in pediatrics would be an important goal. Those individuals are not abundant but would enhance the excellent and internationally visible pediatric dermatology presence of Dr. Prose.

Research Space

Recruiting for new researchers is impossible within the current research space. Space of that allows synergies within the dermatology/cutaneous biology faculty and enhancing interactions across campus is the ideal. The department understands that this ideal may have to be the result of an evolutionary process.

Thomas Lawley, M.D.
The Emory Clinic
William P. Timmie Professor of Dermatology
Dean, Emory University School of Medicine

Lowell A. Goldsmith, M.D., M.P.H.
University of North Carolina School of Medicine
Professor of Dermatology
Dean Emeritus, School of Medicine and Dentistry, University of Rochester

Attachment E

Theodore N Pappas/PDC/mc/Duke
10/18/2007 08:21 PM

To Erin S Moreau/MedSch/mc/Duke, R. Sanders Williams/MedSch/mc/Duke
cc
bcc
Subject Dermatology as a Department

Dear Dean Williams

The Dean's advisory committee on emerging departments met on the evening of 10-18-07. The committee was asked 2 questions.

1. Should the Division of Dermatology at Duke become a Departments based on the criteria that have been established?
2. What are the political issues surrounding this decision that the Dean should be aware of before the process can go forward? Should these political issues alter the answer to the first question?

Question #1. In answer to the first question the committee supports the division of Dermatology becoming a department with the following conditions.

a. The committee felt that the division met several of the established criteria but currently falls short in their research and education efforts (minimal NIH funding, residency recently did not fill in the match). The committee's judgment is that their current difficulties may stem from their association with the department of Medicine. As a separate department, Dermatology is more likely to improve their academic performance as opposed to continued association with the Department of Medicine.
b. The committee is concerned about leadership of the division. The need for a national search to select the first chair of Dermatology at Duke is vitally important to the academic future of the new department.
c. The committee recommends that the dean specify the amount of funding and space that is to be made available to the new chair. This will clarify the importance of the academic development of the new department.
d. The 5 million dollar commitment by the donor should be used for research and education and not for clinical operations.
e. The committee believes that the new department should hire a second Moh's surgeon within the first 3 years of departmental status.
f. The new department of dermatology must continue to train non-dermatology house staff without cost to other departments.

Question #2. The committee recognizes that our health system is undergoing significant change. The relationship between the PDC and the system is actively being questioned and evaluated. A sudden rush to develop several new departments in the next 2 years may result in more disruption than the medical center, school and health system can tolerate. Therefore the committee recommends the following strategies in developing new departments.
a. The creation of new departments should be titrated carefully at a rate that can be tolerated by the entire system. Although this may not create the departments fast enough to please the entire faculty, allowing the system leadership time to adapt to these changes may make it easier for management to function at a highly efficient level. Some divisions may be evaluated and given a 2 year timeline to departmental status, while others may be placed on a 5 year timeline. Others may simply be denied.
b. The operational management of our departments report to Bill Fulkerson for clinical issues. Because of this recent change in the organizational chart, the committee feels that Dr Fulkerson or his appointee should have input into future considerations of the committee

Committee members: Diana B. McNeill, Paul Newman, Danny Jacobs, Scott Gibson, Debara Tucci, David Warner, Ted Pappas

Considering New Departments:

The Transition from Division to Department

Presentation to ECMS

September, 2008

DukeMedicine

Department Definition

A regular Department exists in three distinct entities:

1. School of Medicine, therefore Duke University
2. Private Diagnostic Clinic
3. Duke University Hospital
   - for purposes of JCAHO and of credentialing
   - according to medical staff bylaws

Clinical Departments

- There are eleven, seven are original to 1930-1931
- Radiation Oncology was the last established, from Radiology, in 1991
- Principles (2007):
  - Clinical Practice
  - Department Leadership
  - National Model
  - Research Portfolio
  - Education
  - Impact on other Depts.
  - Administrative Support
  - All missions budget

Department	Created
Medicine	1930
Obstetrics and Gynecology	1930
Pathology	1930
Pediatrics	1930
Radiology	1930
Surgery	1930
Psychiatry	1931
Ophthalmology	1965
Community and Family Medicine	1966
Anesthesia	1970
Radiation Oncology	1991

Divisions Considered for Department Status within DUSOM and DUH

- Dermatology
  - Discussion initiated by Dean, DUSOM
  - Seed philanthropy involved
  - Broad internal review, establishment of principles
  - Review by CSFC and outside expert panel (May 2007)
  - MOU established through efforts 2007-2008
  - Operating within PDC as segregated entity (July 2008)
  - Planned transition by January 1st, 2009
- Others considered in 2008-2009 academic year
  - Neurology
  - Emergency Medicine
  - Orthopedic Surgery
  - Urology

Duke Divisions of Medicine and Surgery compared to our academic and clinical competitors

Principles:

- Clinical Practice
- Dept. Leadership
- National Model
- Research Portfolio
- Education
- Impact on other Depts.
- Administrative Support
- Resource/Space Needs
- All missions budget
- Strategic Plan

Top US Medical Schools, Departments of:

	Dermatology	Neurology	Orthopedics	Urology
Harvard				
Johns Hopkins				
Wash U.	None			None
U. Penn				None
UCSF				
Duke	**None**	**None**	**None**	**None**
U. Wash	None			
Stanford				
UCLA	None			
Yale				None
Columbia				
U. Mich				
Baylor				
UCSD	None			None
U. Pitts				
U. Chicago	None		None	None
Vanderbilt	None			
Cornell				
UNC				None
Emory				
Top US Hospitals not included above				
Mayo Clinic				
Cleveland Clinic				

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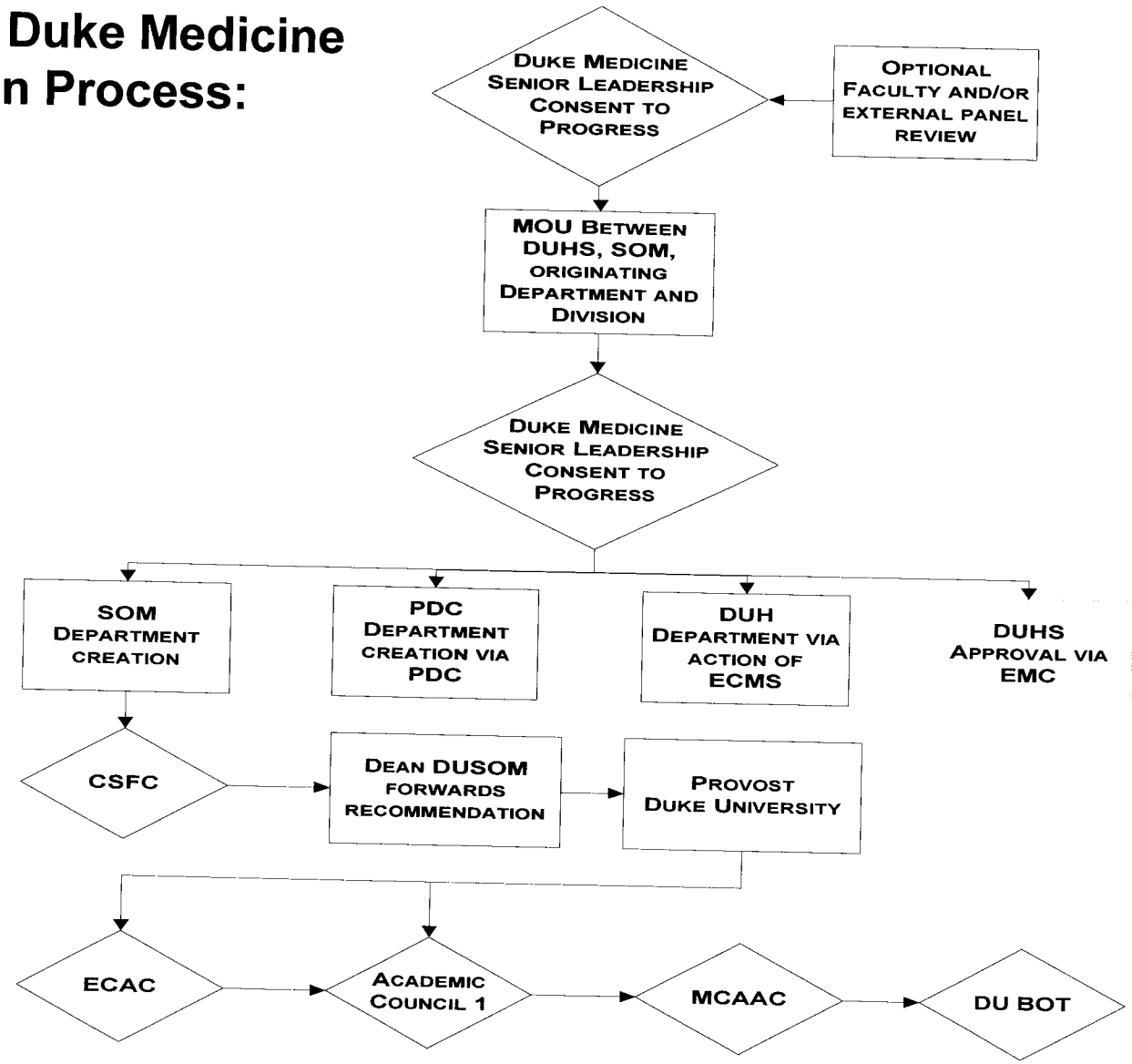
Overall Duke Medicine Decision Process:



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