



JOHNS HOPKINS

M E D I C I N E

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The Frances Watt Baker, M.D. and Lenox D. Baker, Jr., M.D.
Dean of the Medical Faculty
Chief Executive Officer

Ronald R. Peterson

President
The Johns Hopkins Hospital and Health System

May 22, 2003

Dear Colleagues:

Our country is going through painful economic times. Bethlehem Steel, Kmart, Black & Decker, American Airlines and even other Academic Medical Centers – there's hardly an organization that isn't struggling. Neighbors who work for these firms are being hit with layoffs or drastic reductions in pay. Johns Hopkins Medicine may be the most highly regarded name in American medicine, but that doesn't protect us from the financial instability sweeping our nation.

This fiscal year, extraordinary situations in each JHM affiliate diminished our overall financial performance. While we all confronted significant increases in such expenses as malpractice insurance, natural gas, drugs and medical devices, some also experienced depressed patient volumes (and thus revenues) due to the February blizzard and the reduction in international patients. Lastly, our endowment has seen the impact of the stock market volatility nationwide. To recoup our losses, we tried aggressively to implement cost-cutting steps within each organization, and, where needed, to increase outpatient volumes and create extra capacity on the inpatient side. At The Johns Hopkins Hospital and at The Johns Hopkins Bayview Medical Center, for instance, this effort included a stringent review process of any open positions before filling them. It was our hope that these efforts would be enough to put us in good financial standing by June 30, the end of our fiscal year. Unfortunately, the budget gap for FY '04 remains.

This leaves us with no alternative but to look for additional solutions. We do not want any JHM affiliate to have to consider significant layoffs or reductions in salaries or benefits – the means used by most businesses these days to recover from financial woes. Nonetheless, we must keep from sinking into the red.

Therefore, at the start of our next fiscal year, July 1, 2003, the merit/annual increases for all non-bargaining employees and faculty of all Johns Hopkins Medicine affiliates, including The Johns Hopkins University School of Medicine, will be delayed for 3 months. Each JHM organization will have slightly different plans, but all non-bargaining employees and faculty, including managers and executives, will be affected. In the next few days, you will receive details specific to your Hopkins Medicine organization.

We realize that everyone is working hard and that many of you have met your budget targets. We also want you to know that we appreciate all of your efforts. We have the finest faculty and staff in the world throughout Johns Hopkins Medicine, and we take these steps to preserve our common future and to make certain that we remain number one.

We will continue our aggressive review of operations to identify ways to increase efficiency and cut costs. Hard-working committees already have identified many such opportunities. Please pass along your cost-cutting suggestions, either through managers and supervisors, or through your entities' idea/suggestion programs, such as *Bright Ideas*.

To maintain fiscal stability requires enormous discipline. We hope these efforts are sufficient and that we are on the cusp of a solid and prosperous fiscal year. Thank you for your understanding and cooperation.

Sincerely,



Edward D. Miller, M.D.
Dean of the Medical Faculty
Chief Executive Officer
Johns Hopkins Medicine



Ronald R. Peterson
President
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