



## **SUNSET REVIEW COMMITTEE**

### **TESTIMONY**

**Dr. Charles Sanders, OMQF Board Chair**

Thank you, Chairperson Wilkin, Vice-Chair Hillyer, and members of the Ohio Sunset Review Committee. My name is Dr. Charles Sanders, and I serve as Chair of the Board of the Ohio Medical Quality Foundation (OMQF). Thank you for the opportunity to provide a summary of our report to the Committee in accordance with Ohio Revised Code Section 101.86. A copy of our report and agency questionnaire has been submitted to this Committee alongside a copy of this testimony.

First: **OMQF's History, Purpose, and Goals: "An Organization Behind the Scenes."**

In the mid-1970s across the United States there was a medical malpractice insurance crisis. In 1975, legislation was enacted to provide a means for hospitals and physicians to purchase medical malpractice insurance through a newly created state fund funded by hospitals and physicians called The Stabilization Reserve Fund "SRF". It was established as a reinsurance mechanism in the event premiums collected were not sufficient to pay claims made against healthcare providers. The act was funded by hospitals and physicians resulting in the fund totaling approximately \$35.5 million. Following tort reform, the excess funds from the SRF were returned to the hospitals and physicians who had contributed to the tune of \$25 million. However approximately \$10 million could not be returned after "best efforts". After agreement between the legislature and healthcare providers the funds were subsequently transferred to a charitable foundation to benefit hospitals, physicians, and the communities they served, and thus the Ohio Medical Quality Foundation was born in 1995.

The Ohio Revised Code Section 3701.89 created OMQF but healthcare providers in conjunction with the legislature defined its purposes, goals, and objectives. OMQF is thus structured as a nonprofit corporation, organized under R.C. Chapter 1702, and exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The stated goal of OMQF is to provide grants to fund activities to improve the quality of medical care rendered to the public in accordance with our four purposes. A copy of the OMQF Purpose Statement, which was adopted by the OMQF Board of Trustees at its February 29, 1996, meeting, is attached as Exhibit A.

Since its inception, OMQF has distributed over \$13.5 million in grants targeted at programs that will have the largest impact in the present or future to improve the quality of medical care in

Ohio. OMQF identifies such programs for the maximum impact for their monies granted since our funds are limited. Thus, have been awarded to the Ohio Professionals Health Program ("OhioPHP") totaling \$11.8 million, Ohio University totaling \$395,493, and the Research & Educational Foundation of the Ohio Hospital Association totaling \$770,896. OMQF has turned down organizations that do not demonstrate the largest statewide impact. OMQF distributes funds according to its grant policies. For the calendar year 2024, OMQF has committed to distribute \$510,000 in grant funds with a reserve of \$60,000 in case of innovative smaller grant requests. A copy of the OMQF Program Committee Policy adopted May 27, 2004 is attached as Exhibit B.

For 29 years OMQF has consistently met its purpose by investing in programs that align with our mission. The foundation also understands that healthcare is always evolving and changing. Thus, an additional goal is to be there in perpetuity for unforeseen opportunities in the future. Our current structure allows for such.

Second: **OMQF's Structure, Workload and Staffing.**

OMQF has no staff members although we could employ such. All Board Trustees serve as volunteers and are not compensated for their work, time, or travel expenses. The Board meets twice a year to consider grant decisions, monitor grant progress, and oversee the investment of OMQF funds by a third party. The Finance Committee and Program Committee meet once a year in the spring and fall, respectively.

All foundation monies are held in trust by a corporate trustee selected by the board to invest and manage all money held in trust, currently WesBanco. This is a requirement by the initial Statute. The legislature at the time intended for the funds to be held and managed outside of state government. This was also requested by the founding members and agreed to by all at its inception. We also utilize the management services of The Columbus Foundation, which charges us a below-market annual administrative fee of 0.5% of our assets, which in 2023 was approximately \$65,000. This gives us access to the professional services of one of the ten largest community foundations in the country, including excellent expertise in the areas of grant-making, accounting, finance, nonprofit and tax laws, nonprofit administration, and marketing. The cost is covered by gains from our investment portfolio. Thus, we cost the state nothing.

Third: **OMQF's Budget and Sources of Funding.**

OMQF's expenses have averaged approximately \$105,000 per year over the last three years excluding investment fees. Expenses include fees for TCF, auditing fees, state filing fees, directors' and officers' insurance, and legal expenses as needed.

OMQF's spending policy to guide awarding annual grants is 4.25% of the average market value concluding 12/31 of the prior year. It excludes administrative expenses and allows for the carryover of unallocated funds from prior years. For example, funds available 2024 equaled \$570,000. This is close to our average amount available for grant making. We do not elicit funds or request funds from any source, including the state.

As previously mentioned, OMQF was initially funded by excess physician and hospital payments from the malpractice crisis with approximately \$9.5 million. OMQF's prudent fiscal management and positive stewardship has allowed disbursement of over \$13 million in grants over 29 years with a current asset position of approximately \$13 million. Therefore, from the initial \$9.5 million we have managed and distributed a total of \$26 million. This stewardship has resulted in significant investment income to allow grants, cover all organizational expenses internally, and request no funding from the state or outside parities. All monies come from market investments and prudent fiscal management.

Finally: **OMQF's Governance Overview: The Board of Trustees.**

The composition of the governing Board of Trustees was established by the legislature. There are thirteen Trustees with twelve appointed by the Governor for three-year terms and the Director of the Ohio Department of Health. Five must have an MD degree, two a DO degree, four representatives of hospitals, and one Doctor of Podiatric Medicine. None are compensated for service, time, or travel expenses. All volunteer their expertise and time.

Lastly and importantly the board is composed of rural and urban volunteers; small, large, and independent healthcare providers and administrators; large and small healthcare systems from across Ohio. All have an equal voice and represent all constituencies across the state. OMQF truly demonstrates the axiom "We The People" in an effective way that Ohioans can say "we make a difference." The board's partnership with the state Legislative and Executive branch works and is a good example of "For the People By the People" at no cost to "The People."

In conclusion, OMQF has a stellar 29-year existence aimed at improving the quality of medical care in the State via grant making consistent with its original charter. OMQF respectfully requests the opportunity for a continued positive collaborative and fruitful partnership with the state to improve the quality of medical care in Ohio given the ever-changing healthcare landscape.