Josiah Macy, Jr. Foundation
2008 Annual Report

Improving the Education of Health Professionals

The Foundation's logo incorporates the
mid-nineteenth century ship's flag of Josiah Macy & Sons,
New York shipping and commission merchants
and ancestors of Josiah Macy, Jr.

Report of the Josiah Macy, Jr. Foundation

July 1, 2007 through December 31, 2008


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President's Statement

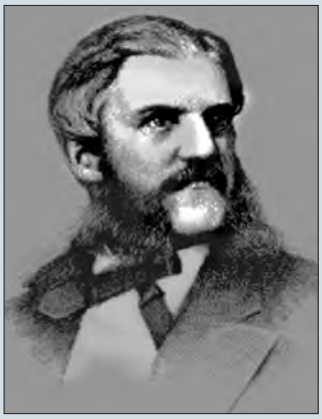
I am honored and privileged to be serving as the seventh President of the Josiah Macy, Jr. Foundation. It is humbling, yet inspiring, to be in the company of the illustrious past presidents and to become part of the history of this distinguished foundation. I am very aware of my responsibility to be a conscientious steward of its traditions and to direct its resources to achieve the greatest possible societal good.

During my first year in office I have spent a great deal of time learning about the history of the foundation, reviewing its current activities, and meeting with foundation and health professional leaders nationally to learn from them and to help me define the best future direction for the Foundation. For my first President's Statement, I want to share what I have learned through this process and my thoughts about the Foundation's strategies going forward.

Kate Macy Ladd endowed the Josiah Macy, Jr. Foundation in 1930, in memory of her father, who died of typhoid fever at the age of 38. By the time of her death in 1945, she had given the Foundation 19 million dollars. This endowment has grown and represents the sole source of the foundation's funds.

Josiah Macy, Jr. was an eighth generation descendant of Thomas Macy, one of the first European settlers of Nantucket. Thomas Macy emigrated from England in 1635 and initially settled in Salisbury, Mass. In 1659, he and nine other men purchased Nantucket Island (then a part of New York) in order to

Kate Macy Ladd, Foundation founder



Josiah Macy, Jr.

seek religious freedom from the Puritans who were persecuting the Quakers. Six generations and nearly 200 years later, Captain Josiah Macy left Nantucket and established a successful shipping firm in New York City. Under Josiah Macy's sons and grandsons (one of whom was Josiah, Jr.) the firm prospered, opened the first oil refinery in New York, and ultimately was purchased by the Standard Oil Company.

In her prescient letter of 1930 establishing the endowment, Kate Macy Ladd outlined her vision for the foundation. She wrote: "The gift should concentrate on a few problems rather than support many undertakings, [and]… primarily to be devoted to the fundamental aspects of health, sickness and of methods for the relief of suffering … The preference should be given to the use of these funds to integrating functions in the medical sciences and medical education for which there seems to be particular need in our age of specialization and technical complexities… The Foundation will take more interest in the architecture of ideas than in the architecture of buildings and laboratories." Those directions have guided the Foundation well, though the programs have evolved with changing societal needs and with changing leadership.

From 1930 to the mid 1940's, the Foundation provided grants for biomedical

research in atherosclerosis, aging, psychiatric disorders, genetics, and war related medical issues such as trauma and shock. In the decade after World War II, with the rise of the NIH to fund biomedical research, the Foundation turned its attention to the development of basic science medical school faculty and the strengthening of the fields of reproductive medicine, obstetrics and gynecology. In the 1960's and 1970's, the Foundation began its longstanding interests in the careers of women and underrepresented minorities in the health professions. It also broadened its focus from the education of physicians to include the education of other health professionals. Faculty development emerged as an important area for Macy support, and during this period the signature Macy Conference format was developed.

For the past thirty years, under the leadership of three presidents (James Hirsch, Thomas Meikle, and June Osborn) innovation in the education of health professionals has been the principal focus of the Foundation, and has filled a void in the funding world. The Foundation has funded activities in pre-professional, undergraduate, and graduate education in medicine, nursing, public health, dentistry, and other allied health professions. Cross-cutting themes have been the education of underrepresented minorities and the promotion of interprofessional education. During this period a pattern of annual spending was established that generally included one major conference and eight to twelve major grants of one to three years' duration. Among the many enduring legacies of Macy funding during this period are nationally recognized programs in faculty development for medical educators, the use of standardized patients in medical education, advanced

academic and clinical training for nurses, a novel combined MD/MPH degree program, improved education in communication skills for medical students, and a number of programs for underrepresented minority students and faculty.

This is a history of which the Foundation can be justifiably proud, and these initiatives have responded to the needs of each era. As I take stock of the present circumstances, and where the Foundation might make its greatest contributions going forward, I am compelled to reflect on the state of the healthcare delivery system as it is today. For the past two decades the healthcare system in our country has been buffeted by extraordinary pressures and has undergone enormous change. This disruption has not yet resulted in the system we hope to have, but I believe it has set in motion the changes that will lead to a system that is more equitable, more uniform in its high quality, and more efficient. The forces that are bringing about these changes in the healthcare system are many and have been widely discussed:

- Quality of care previously was thought to be assured by the testimony of the profession; we now believe it can and should be measured, and we have found there are great variations in the measured quality.
- Patient safety was not previously part of our lexicon; it now is recognized as a discipline to be taught, a goal to be pursued, and an important indicator of how well a healthcare organization performs.
- Medical decisions had been made solely by health professionals; it now is accepted that those decisions are better if they are informed by patient preferences and that informed patients have better outcomes.

- The rising cost of health care was once thought to be inevitable and even an indication of the quality of care; there now is a new emphasis on efficiency, on the elimination of unnecessary costs, and on distinguishing between expenditures that benefit the patient and those that do not.
- The hospital was where all modern technology resided and had been the site for all complex care; changing demographics and evolving technology are making it possible and desirable to provide complex care in non-hospital settings.
- Physician autonomy and authority had been the hallmark of the system; teamwork, collaboration, and shared authority are now recognized to be correlated with better patient care.
- Information technology that has transformed other professions and public services had been felt to be too difficult to apply to medicine because of its special characteristics; the application of information technology to medicine is now seen as a sine qua non in transforming medical practice.

- The lack of healthcare insurance by a significant portion of the population was felt to be inevitable or of little consequence for healthcare outcome; it is now known that there are detrimental health consequences for the uninsured, and there is a growing consensus that this will not be tolerated.
- Disparities in healthcare outcomes by race, ethnicity, and economic status were not previously recognized; these differences have now been documented and can no longer be ignored.

Compared to the healthcare delivery system, the institutions that educate health professionals have been relatively insulated from these pressures and from intense public scrutiny. There is surely an advantage to having some protection for our academic structures, so that they are not making changes too rapidly and so that standards can be maintained, but if they are too protected, they will not be able to produce the professionals who can lead and be effective practitioners in a changing healthcare system.

To be fair, there have been some innovations in health professions education in recent years. Undergraduate medical education has embraced problem-based learning, earlier clinical experiences, and an increased emphasis on communication skills and professionalism. Graduate medical education has moved to competency based assessment and has taken major steps to reduce resident work hours. Nursing education has developed new programs for advanced and accelerated clinical training. All of the health professions have begun to focus more on the important issue of faculty development and retention. Nonetheless, many would say that the changes in education have been small in relation to the pressing societal needs. If we were to judge success by how well we are currently fulfilling those societal needs, we would have ample reason to be dissatisfied.

The conclusion I draw from this reflection is that this should be an ideal time for innovation in health professions education. We do not yet know what forms all the innovations might take, but leaders in the field have some very good ideas. These include a greater emphasis on teaching the principles of quality improvement and patient safety, as well as a deeper understanding of the impact that both systems of care and health care policy have on patient outcomes. All the health professions would benefit from more, and earlier, required interprofessional experiences to develop the knowledge, skills, and mutual respect across professions that are necessary for providing optimal team care. Students of all the health professions also would benefit from more longitudinal patient experiences in a variety of settings to

develop the necessary skills and attitudes to deal with chronic illness. Moreover, all students would benefit from more longitudinal experiences with faculty for mentoring and assessment. And, by taking advantage of new information technology, all students would be able to adapt their pace of learning to their needs, and to equip themselves to become life-long learners.

Other innovations might explore ways to integrate the teaching of clinical medicine and of all the basic sciences relevant to the practice of medicine more fully across all of the educational experiences, and to give all students a better understanding of public health and the social and cultural determinants of illness and patient outcomes. Some might experiment with ways to reduce student debt so that it is not a deterrent to entering the health professions and not a determinant of career choices for those in the professions, and with strategies for assuring that the future generations of health care professionals will be racially and ethnically representative of the population they serve.

These are but some of the innovations we might promote and evaluate if we were to better align health profession education with the needed changes in our healthcare system. I have asked a question of the leaders who are involved with healthcare delivery reform: "If you achieve the healthcare reform you desire and we ultimately have a more equitable, accessible, reliable, and efficient healthcare system, what should we be doing differently to prepare the healthcare professionals for that system? What are the educational implications of healthcare reform?"

The Macy Foundation can make an important contribution by helping to answer these questions and helping to promote the innovations that will better align our educational processes with the desired health care system that best serves the public's needs. To do this we will need to focus our activities at the messy interface of education and healthcare delivery. To be able to promote change in any given area, and in order to have our grantees and conferees learn from and support each other's work, it may be preferable to support "clusters" of activities on similar themes. To do this we will need to become more intentional in our grant giving and establish clear connections between our conferences and some of our granting activity. The continuing education work that is described in this Annual Report is an example of this strategy. We may need to do more partnering with other foundations and not-for-profit organizations in order to stretch our reach. We may also want to revisit our role in helping to develop the careers of promising educational innovators.

I write this as the year 2008 draws to a close. It has been an extraordinary year for me. I have learned so much from my many meetings with foundation leaders, health professional educators, grantees, and prospective grantees. I am enormously grateful for the warmth and candor I have experienced. I also am excited by the prospects of a renewed emphasis in our society on the importance of the critical issues of healthcare and education; it is at this intersection that we are working to promote change for the public good.

At the same time I also am sobered by the severe economic downturn, the worst in seven decades that is affecting us all. At a time of greatest need and opportunity, resources to address these critical issues will be reduced temporarily. This will force us to be even more disciplined, more focused, and more creative in the ways we achieve our goals of fostering innovation and aligning the education of health professionals with a system dedicated to providing the highest quality of healthcare for everyone. It is a time, however, when the critical role of foundations in our society is called to the fore. Foundations have the freedom and the obligation to make choices that fill the gaps at these critical junctures. I am optimistic that the Macy Foundation will emerge from this time even stronger and more effective. This is a time of extraordinary opportunity to improve health professions education in order to improve the health of the public. My experiences this year have convinced me that our educational institutions have the will, creativity, and energy to do that. I am privileged to be leading the Foundation at this time, and I look forward to working together to achieve these goals.

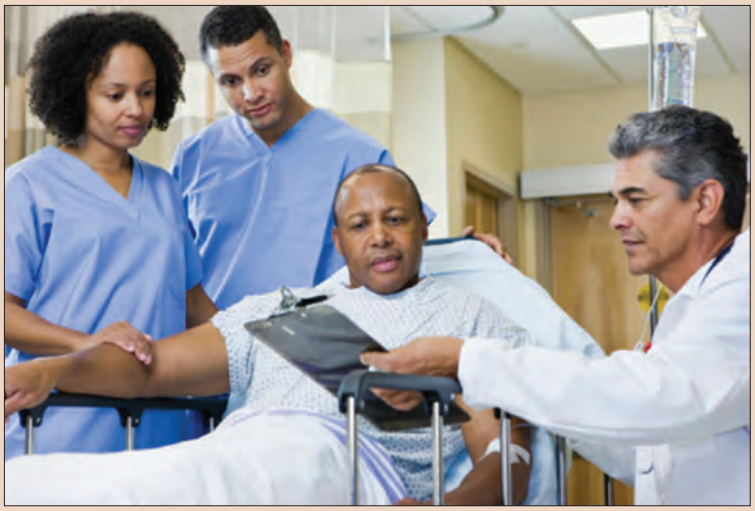
George E. Thibault, M.D.

New Focus on Continuing Education for Health Professionals

The education of health professionals after their formal education that leads to licensure and certification — what we have come to call "continuing education" — has not received as much scrutiny or foundation support as have the pre-professional, undergraduate, and graduate periods of education. For many reasons, this appears to be a propitious time to focus more attention on this aspect of health professional education.

Rationale

Continuing education is, in fact, by far the most dominant form of professional education, if one considers the total number of health professionals involved in some form of continuing education over the duration of their careers. As our advances in medical technology and knowledge escalate, continuing education for all health professionals has become more important than ever to assure that the public is receiving optimal healthcare. Yet, much of the pedagogy in continuing education has not kept pace with changes in medical practice, nor has it taken full advantage of current educational theories and information technology. As a result, concerns have been raised, both within the professional community and



the lay public, that continuing education as currently practiced does not fulfill its mission. Furthermore, the general lack of interest by our academic institutions in continuing education created a void that has been filled by commercial interests. This dynamic has raised critical questions about potential conflicts of interest in the content and delivery of continuing education, as well as the proper role of the professions and their responsibility for their own continuing education.

Conference

For all of these reasons, in November 2007, the Macy Foundation held a conference entitled, "*Continuing Education in the Health Profession: Improving Healthcare Through Lifelong Learning*." Under the leadership of Suzanne W. Fletcher, M.D., Emeritus Professor of Ambulatory Care and Prevention at the Harvard Medical School, 36 physicians, nurses, and professional educators met to discuss the issues in continuing education, reach consensus conclusions, and make recommendations. The conference focused principally on continuing education for physicians and nurses where the most information is available, but participants felt the findings and recommendations also were relevant to the other health professions.

A series of commissioned, expert-written papers on educational theory, maintenance of professional certification, sources of financial support for continuing education, and the current delivery of continuing health professional education in the United States informed the participants and provided valuable background for their discussions. The two-and-one-half-day discussions also addressed current issues in informatics, team-

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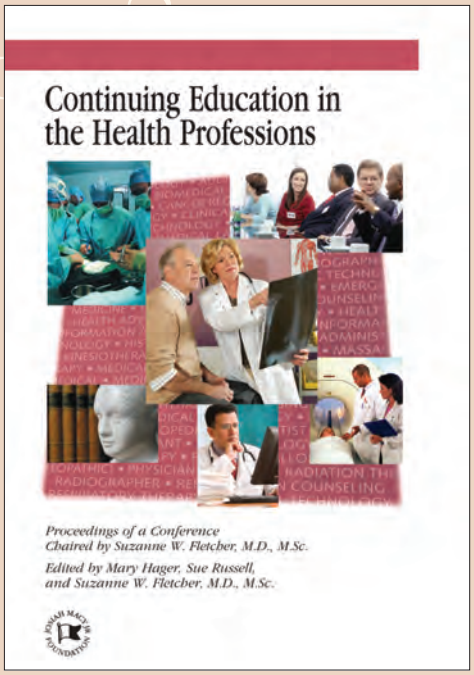


The full text of the conference monograph is available at www.macyfoundation.org

work, and quality of care. The deliberations led to five over-arching consensus conclusions and four major far-reaching recommendations for reform.

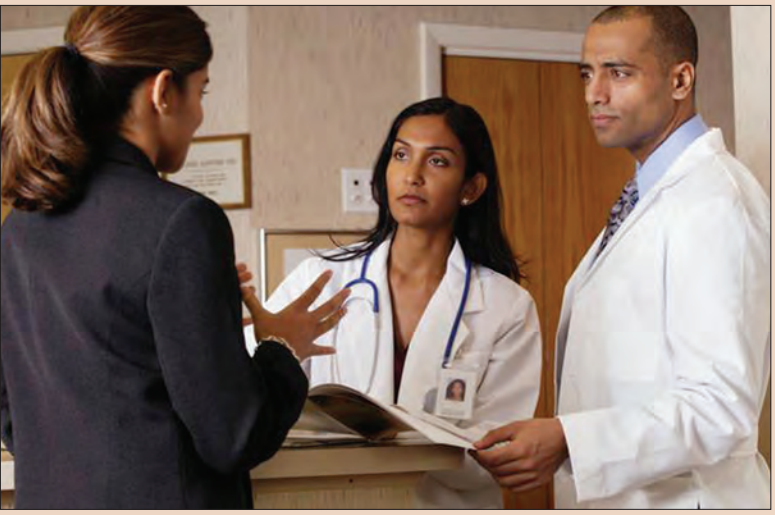
Conclusions

The first conclusion was that continuing education fulfills an essential public purpose with its goal of assuring the continuing competency of clinicians in order to improve the quality and safety of patient care. For this reason, continuing activities should be accountable to the public.

The second conclusion was that each health professional is responsible for maintaining professional competence. That responsibility can best be fulfilled by taking into account the role of each health professional as part of a system of care, as a member of a collaborative healthcare team, and as a participant in related activities to improve the quality of care.

Third, the conferees concluded that traditional lecture-based continuing education has been largely ineffective in changing practices. New teaching methods which incorporate principles of practice-based learning and employ new information technology are needed. Current methods and content have not focused enough on improving clinical performance with patient health as the desired outcome. Moreover, more research is needed to improve and evaluate the effectiveness of continuing education.

The fourth conclusion was that the large amount of commercial support for continuing education for physician continuing education, estimated to be $1.45 billion or 60 percent of the total cost of these activities in 2006, threatens to distort the educational content and invite bias. Real and perceived bias, both



in subject selection and content delivery, undermines confidence in the system, and creates a less than ideal relationship between teachers and learners. Because of this outside support, academic health centers, healthcare delivery systems, and professional societies have not taken sufficient responsibility for planning, providing, and validating the content of continuing education.

And fifth, the group concluded that current accreditation mechanisms for continuing education are both unnecessarily complex and insufficiently rigorous. The complexity has inhibited innovation and discouraged interprofessional team education, and the lack of rigorous standards and/or enforcement has allowed bias and less than optimal performance. Furthermore,the accreditation boards of the various health professions need closer working relationships in order to facilitate programs in interprofessional continuing education that would effectively improve patient care.

Recommendations

These five consensus conclusions led the group to four major recommendations. The first recommendation called for health professional continuing education to shift rapidly from excessive reliance on presentation/lecture-based formats to an emphasis on practice-based learning. The participants did not feel that lectures should be eliminated, but rather that they should be an adjunct to methods more closely linked to real practice and the daily work of clinicians. This new emphasis in continuing education will require new metrics to assess the quality of education as it relates to patient outcomes. These metrics will provide feedback to individual providers, as well as to the systems and the communities in which they function.

The first recommendation called for health professional continuing education to shift rapidly from excessive reliance on presentation/ lecture-based formats to an emphasis on practice-based learning.

The second recommendation called for the creation of a national Continuing Education Institute to advance the science of continuing education. This recommendation responded to the strong feeling among participants that the field of continuing education needs to become more academic. Among its functions,

an institute dedicated to continuing education would promote research, evaluate policies and standards, and disseminate best practices.

The third, and most controversial, recommendation called for phase-out, over a

The third, and most controversial, recommendation called for phase-out, over a five-year period, of all direct commercial support for continuing education.

five-year period, of all direct commercial support for continuing education. After the phase-out period, participants suggested that individual health professionals, the health systems that employ them, and other non-commercial sources should provide the financial resources needed to support continuing education.

Finally, the conferees recommended that the authority to provide continuing education should be limited to schools and professional organizations. This would re-enforce professional responsibility for the activity and would facilitate development of a continuum of education throughout the professional educational process that promotes the attitudes and skills of life-long learning. They also recommended that accreditation organizations for medicine and nursing develop a plan for a single accrediting organization, in order to promote interprofessional education.

Response

The publication of these conclusions and recommendations in early 2008 inspired strong response from the academic, professional, and commercial worlds. The conference findings have been featured in leading medical and nursing journals in the United States, Canada, and England, often with accompanying editorials supporting the recommendations which would reform continuing education. Sessions at national medical meetings have been devoted to continuing education, a previously under-represented subject. The findings sparked growing interest in developing new teaching formats and in strengthening existing regulations regarding commercial involvement. Parallel efforts, some supported by the Macy Foundation, have examined the larger question of appropriate academy/industry relationships to minimize conflicts of interest. These have resulted in new recommendations congruent with the spirit of the Macy report from the AAMC, the AMA, the pharmaceutical industry, and a growing number of academic medical centers.

The extent of the response to the conference findings clearly indicates dissatisfaction with the status quo in continuing education, and a new appreciation that this as an important area for professional and academic attention. At the same time, many unresolved issues remain. Some have questioned whether the evidence of bias is sufficient to warrant dismantling the present system of commercial support, though many feel that the magnitude of industry's investment presupposes a return on that investment. Some also question whether there will be sufficient resources to support continuing education without industry funding, although some institutions already have done this. Some believe that the present system has already taken the necessary

steps to protect against bias and to introduce new pedagogical methods. Indeed, many conferees acknowledged that some changes for the better have taken place, but most agreed that the field of continuing education would benefit from much more attention by our leading health professional educators, academic institutions, and professional organizations. Many who have labored long and hard in the field of continuing education have indicated that they welcome this enhanced attention on their work, for it validates their efforts and promises to make their work more professionally satisfying.

Response to the conference findings clearly indicates dissatisfaction with the status quo.

Action

The Macy Foundation has decided to play an active role to help promote these changes. In addition to having participants from the conference and representatives of the Foundation speak at local, national, and international meetings about the conference findings and their implications, the Foundation solicited grants to pursue three of the conference recommendations. (Additional details on these three grants can be found on pages 35 – 37.)

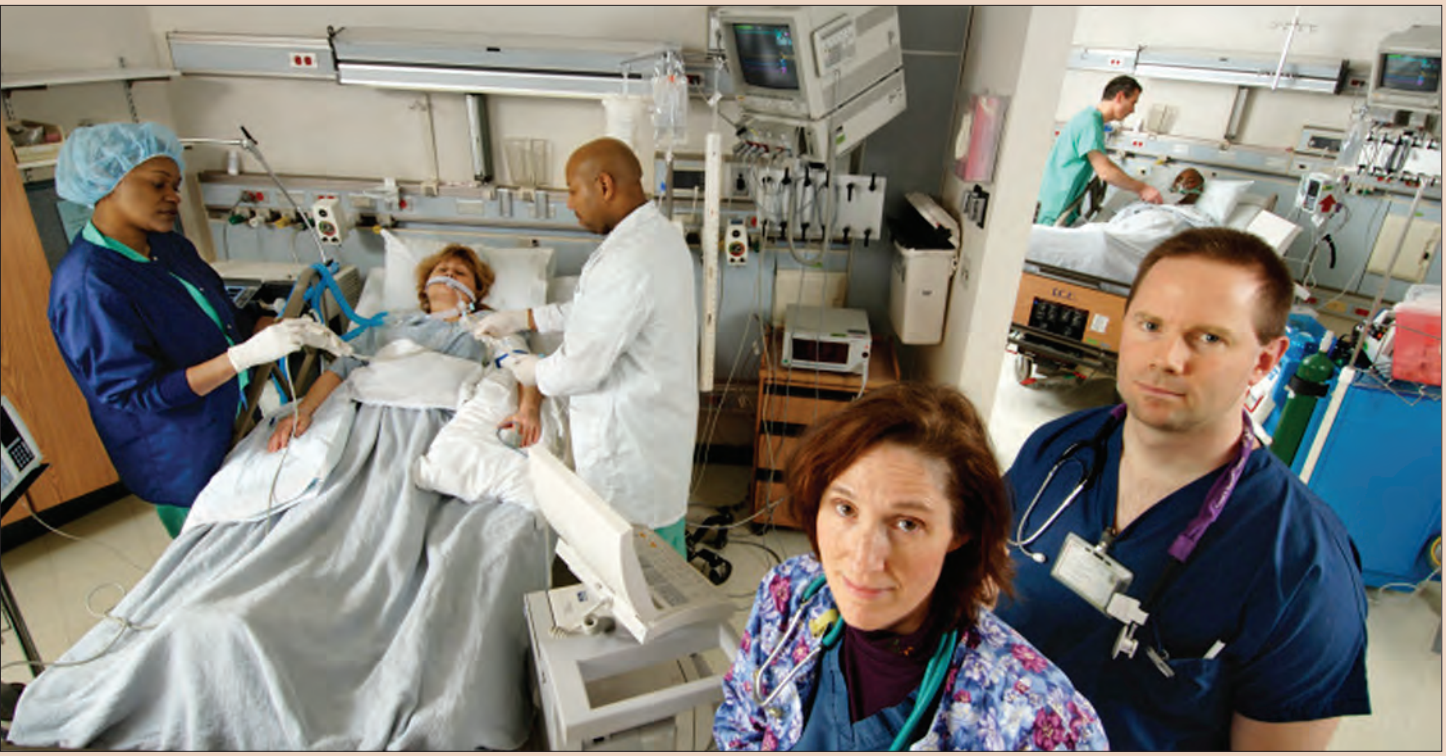
The American Association of Colleges of Nursing and the Association of American Medical Colleges (Joan Stanley, Ph.D. and David Davis, M.D., co-principal investigators) received a grant to co-host a working conference on the content and

delivery of continuing education and its linkages to clinical performance and healthcare outcomes. In direct response to one of the conference recommendations, this two-day conference in February 2009 will bring together leaders in the fields of nursing and physician continuing education to explore new pedagogical approaches to lifelong learning. The focus will be on self-directed learning that is more closely linked to practice, interprofessional activities, and patient outcomes. Participants also will identify barriers to implementing such changes and make recommendations for the next steps to be taken. In addition to publishing the results of the workshop, the group will establish a website for ongoing exchange of innovations and best practices.

The Institute of Health Policy at the Massachusetts General Hospital (Eric Campbell, Ph.D., principal investigator) received a grant to write a "white paper" on new conceptual models for the organization and funding of continuing education. The paper will explore the purposes of continuing education and its relationship to professional healthcare delivery, and assess how different conceptual and organizational models and different requirements might affect

the cost and source of payment for continuing education.

Finally, the Institutes of Medicine of the National Academy of Sciences received a grant for a 14-month study entitled, "Planning a Continuing Healthcare Professional Education Institute." A 14-member committee had been formed, chaired by Gail Warden, M.H.A., President Emeritus of the Henry Ford Health System. The committee includes three participants from the Macy Conference, as well as other nationally recognized educators and policy makers. This committee will have the benefit of the input from the two other Macy Foundation funded activities. It will explore the rationale and mechanism for creating an



Institute that would advance the science of continuing education by:

- promoting the discovery and dissemination of more effective methods of educating health professionals over their professional lifetimes;
- Developing a research enterprise that encourages increased scientific study of continuing education;

- Developing mechanisms to assess research applications;
- Stimulating new approaches to both intra- and inter-professional continuing education; and
- Being independent and composed of individuals from the various health professions.

The IOM group's findings and recommendations will be issued in a peer reviewed report in the fall of 2009.

Through these activities, and through other activities that they will stimulate, the field of continuing education may move closer to the ideal system envisioned by the Macy Conference participants. In such a system, continuing education would be integrated into daily clinical practice and would bring the

best available evidence from research to the bedside. Both the reality and the appearance of bias would be minimized. Continuing education would be flexible and easily accessible to busy clinicians, whether they are in small rural practices or in large academic health centers. It would stress innovation and evaluation of new educational methods. It would support interprofessional collaboration and align continuing education efforts with quality improvement activities leading to demonstrable improvements in patient outcomes.

The "ripple effect" from the Macy Conference's call for the reform of continuing education of the health professions has begun. It is our hope that the end result will be a system of continuing education that achieves its public and professional purposes.

The "ripple effect" from the Macy Conference's call for the reform of continuing education of the health professions has begun.

2008 Macy Conference: Revisiting the Medical School Educational Mission at a Time of Expansion

For the first time in 30 years, medical schools in the United States are expanding enrollments in response to anticipated shortages in the physician workforce. The development of nine new allopathic medical schools is already underway with at least five more in planning stages, and all but 18 of the 126 existing schools are increasing class size. Growth also is occurring among osteopathic schools, which since 2000 have added nine new schools to the 19 already in existence.

Jordan J. Cohen, M.D.

This period of expansion offers unparalleled opportunity not only to examine existing medical school curricula but also to explore innovative ways to improve the education of a new generation of physicians. To assess how current expansion efforts might advance medical education, the Josiah Macy, Jr. Foundation convened a conference, "Revisiting the Medical School Educational Mission at a Time of Expansion," which was held in Charleston, South Carolina, in October 2008. Jordan J. Cohen, M.D., President Emeritus of the Association of American Medical Colleges and Professor of Medicine and Public Health at George Washington University School of Medicine, served as chair.

For two and a half days, 35 experts in both allopathic and osteopathic medical education discussed the challenges and opportunities presented by the current expansion. What follows is an abbreviated version of their conclusions and recommendations.

CONFERENCE CONCLUSIONS

CHAIRMAN'S SUMMARY OF THE CONFERENCE

Revisiting the Medical School Educational Mission at a Time of Expansion

The full text of the executive summary is available at www.macyfoundation.org.

Crisis in Healthcare

Healthcare in the United States is in trouble. More than 60 million people are uninsured or underinsured. Costs of healthcare continue to escalate faster than the rate of GDP growth. Health outcomes, patient satisfaction, and quality indicators are all worse than those of most developed nations. In addition, unconscionable health disparities exist between poor and rich, uninsured and insured, and minority and majority populations.

The Physician Workforce

The United States is likely to face a significant, but difficult to quantify, shortage of physicians in the future. Consequently, medical education must make substantial qualitative changes to better prepare future physicians. Those include addressing the expanded range of competencies that all physicians need to serve an evolving healthcare system, and correcting the woeful lack of racial and ethnic diversity in the physician workforce and the persistent geographic and specialty maldistribution of physicians.

The State of Medical Education

Although medical educators have implemented countless innovations, medical education has not kept pace with growing public expectations or with the

demands of an increasingly complex healthcare system. As a consequence, medical students too often graduate without the full range of knowledge and skills that 21st century physicians need, and without fully appreciating the role that professional values and attitudes play in sustaining medicine as a moral enterprise.

To address current shortcomings, medical schools need to modify their educational programs, and to give greater priority to the teaching mission of faculty. In addition, medical schools will have to ensure that learning environments reflect the professional attributes espoused in the classroom since medical students acquire their professional identity and standards of behavior from the role models they encounter during their education. Too often the lessons students learn from the powerful "hidden" or "informal" curriculum not only fail to

reinforce but serve to undermine the commitment to inculcating high standards of professional behavior.

Finally, attention must be given to prevailing cultural norms in many institutions, which can be aptly described as individualistic, autonomous, expert-centric, and hierarchical. Such attributes are increasingly at odds with the collaborative, mutually accountable, patient- and community-centric, and outcomes focused attributes that are conducive to delivering high quality healthcare.

Failing to take full advantage of the opportunity afforded by this "natural experiment" to advance the mission of medical education for the benefit of the public would be tragic.

This Moment in Time

This period of expansion in enrollment must not result in "more of the same." Failing to take full advantage of the opportunity afforded by this "natural experiment" to advance the mission of medical education for the benefit of the public would be tragic.

Recommendations

The expansion of medical school enrollment provides an extraordinary opportunity for all schools to reassess their educational programs to assure that they are meeting the health needs of society.

Regarding Institutional Leadership and Governance

- Medical school deans, presidents, and governing boards of parent institutions, must exert strong leadership and participate in the change process if the sought-for improvements are to occur.

Regarding the Core Mission of Medical Schools

- All medical schools are obligated to educate future physicians who are prepared both to assess and to meet the health needs of the public.

Regarding Medical School Admissions

- To ensure access to high-quality health services for everyone, medical schools must broaden the definition of merit in determining who is qualified for admission to the profession.

Regarding the Debt Burden of Medical Students

- Medical schools must find ways to substantially reduce the level of student debt.

Regarding Innovations in Medical Education

- To address recognized shortcomings in traditional models of medical education, all medical schools should update their curricular content and implement, evaluate, and disseminate innovative pedagogical approaches that enhance student achievement of learning objectives.

All medical schools should ensure that students become familiar with critical subject matter not yet incorporated sufficiently in the typical curriculum.

- All medical schools should ensure that students become familiar with critical subject matter not yet incorporated sufficiently in the typical curriculum.
- All medical schools should adopt promising pedagogical innovations to enrich the learning experience for students.

Regarding Medical School Faculty

- Medical schools should recruit and support men and women faculty members who reflect the ethnic and racial diversity of the American population.
- Medical schools must assure that faculty are recognized and rewarded, financially and otherwise, for excellence in teaching, mentoring, and

inter-professional activities, and that career pathways for medical educators are supported.

Regarding Standard Setting Bodies

- The agencies responsible for accrediting allopathic and osteopathic medical education at both the undergraduate and graduate levels should promote innovation across the continuum.

Regarding Government and Private Entities

- The federal government should:

  — expand existing forms of national service for health professionals, especially the National Health Service Corps (NHSC), and develop additional programs of national service to help address societal needs;

  — recast the role of and increase the investment in Title VII to support innovations and research in health professions education;

  — authorize and support a collaborative body to assess the country's health workforce and recommend policies for meeting future health workforce needs.

Grant Programs

New Grants

July 1, 2007 — December 31, 2008

American Dental Education Association

The American Dental Education Association (ADEA) has initiated a study aimed at increasing racial diversity in the dental workforce. Based on a successful medical model that has increased the enrollment of underrepresented minority students, the ADEA is designing model programs to recruit underrepresented minority students from high school into a seven-year dental education program. Models are being developed and tested in New York, Georgia, and New Mexico, where leaders from the Columbia University College of Dental Medicine, the University of New Mexico, and the Atlanta University Center working with the Medical College of Georgia School of Dentistry are developing local plans. Richard Valachovic, D.M.D., M.P.H., Executive Director of the American Dental Education Association is principal investigator of the study. The Macy Foundation awarded a grant of $550,457 for the 18-month project to be completed July 2009.

Awarded September 2007

Robert Graham Center for Policy Studies

This project, proposed by the Robert Graham Center for Policy Studies in Washington, D.C., aims to develop better understanding of the factors that influence a physician's choice of populations to serve. The study is looking at a number of factors that may influence this decision, including education related debt, experience with underserved



populations and training in underserved areas, primary care experience, county of birth (rural, suburban, urban), race, and exposure to Title VII grants while in training. Since no objective study has ever looked at the effect of debt on career choices and the medical school debt burden is rising, an answer to the question about the impact of debt is of particular importance. Robert L. Phillips, Jr., M.D., M.S.P.H., Director of the Robert Graham Center, is principal investigator. The Macy Foundation awarded a grant of $195,144 for the one-year study to be completed February 2009.

Awarded September 2007

The Institute of Medicine

The Institute of Medicine, a branch of the National Academy of Sciences, is conducting an assessment of the idea of developing a national institute devoted to the continuing education of healthcare professionals. The establishment of such an institute was recommended by participants at the recent Macy Conference on Continuing Education in the Health Professionals. This study is following the established IOM format in which a 14-member committee — with representatives from academic medicine, health professions education, nursing, accreditation, information technology, education theory, and health economics — hold three meetings in Washington, D.C., and then issue a peer reviewed report based on their findings and recommendations. IOM staff member Samantha Chao, M.P.H. heads the study. The Macy Foundation awarded

a grant of $428,177 for the project, which is due to be completed March 2010. This study will benefit from the work of two other Macy-funded continuing education projects.

Awarded May 2008

The Institute for Health Policy at Massachusetts General Hospital

The recent Macy Conference on Continuing Education in the Health Professionals raised a number of questions about continuing medical education. This proposal from Eric G. Campbell, Ph.D., of the Institute for Health Policy at the Massachusetts General Hospital, addresses four of those questions: 1) What types of CME work best? 2) How much CME do we need? 3) How should this set of CME activities be organized? and 4) How should this set of CME activities be paid for? The researchers will then produce a white paper on a new conceptual model for continuing education and the implications for the cost and source of funding. The Macy Foundation awarded a grant of $165,113 for the one-year study to be completed January 2010.

Awarded May 2008

Association of American Medical Colleges and American Association of Colleges of Nursing

David A. Davis, M.D., Vice President for Continuing Healthcare Education and Improvement at the Association of American Medical Colleges, and Joan Stanley, Ph.D., Senior Director of Education Policy for the American Association of Colleges of Nursing, will co-host a working conference on "the content, delivery of continuing education and its

linkages to clinical performance and healthcare outcomes." The two-day conference, to be held in February 2009, will involve 40 experts in the delivery of continuing education, learner preparation and support, and nursing and physician regulation, who will identify issues that need to be addressed. They will then identify barriers, define next steps, assign responsibility, and create a model system for self-directed learners, all with the goal of improving the delivery of care and the overall quality of the healthcare system. A summary report will provide recommendations for the delivery, content, and outcomes of future continuing education for nurses and physicians. The Macy Foundation awarded a grant of $269,500 to support the conference, preparation of the report, and development of a website to be completed in November 2009.

Awarded May 2008

Macy Conference

The Macy Foundation Conference, entitled "Revisiting the Medical School Educational Mission in a Time of Expansion," was held in late October 2008 in Charleston, N.C. Jordan J. Cohen, M.D., President Emeritus of the Association of American Medical Colleges and currently Professor of Medicine at the George Washington University School of Medicine, served as Chair. Participants at the two-and-one-half day conference provided guidance for the more than a dozen new medical schools now being planned and encouraged innovation at existing medical schools. Since the new schools, now in various stages of planning and development, are the first in nearly 30 years, the findings and recommendations made by participants are both important and timely. The Board allocated $350,000 to cover planning and conference costs.

Awarded May 2008

University of Washington Schools of Health Sciences

This project, proposed by the University of Washington Schools of Health Sciences (Schools of Medicine, Nursing, Dentistry, Pharmacy, Social Work and Public Health) aims to validate and then disseminate an innovative simulation-based team-training program that was developed to improve communication among interprofessional healthcare team members. Using simulation as a tool, students mimic actual health-care teams as they interact with each other and with patients in challenging clinical situations. The goal is to promote high-quality, patient-centered care by training students to communicate more effectively with each other and with their patients. Once validated, the program will be disseminated with an exportable "Interprofessional Team Training Kit" for use by other health sciences schools. Brian Ross, M.D., Ph.D., Director of the University of Washington Institute for Simulation and Interprofessional Studies and Professor of Anesthesiology, and Brenda Zierler, Ph.D., R.N., R.V.T., School of Nursing Associate Professor and Associate Dean of Technology Innovations in Education and Research, head the project. The Macy Foundation awarded a grant of $990,000 for the three-year project which will be completed by February 2012.

Awarded September 2008

University of California San Francisco School of Medicine

This project from the University of California San Francisco School of Medicine, Harvard Medical School, Cambridge Hospital at Harvard Medical School, and Sanford School of Medicine of the University of South Dakota is comparing alternative longitudinal integrated clerkships with more traditional clinical clerkships. Several medical schools have developed an alternative model, based on principles of socio-cultural learning theory and workplace learning, in which students work in community practices and develop continuing and long-term relationships with patients. This model aims to overcome concerns that traditional hospital-based clerkships may not adequately prepare students to manage chronic illness and practice in an ambulatory setting. Project leaders anticipate that students in the alternative clerkship model will have more experience in actual clinical activities and connecting with physicians, other health care providers, and patients, which will inspire a more patient-centered approach in their own practices. Karen Hauer, M.D., Associate Professor of Clinical Medicine and Director of Internal Medicine Clerkships and the Clinical Performance Examination program at the University of California San Francisco, is principal investigator. The Macy Foundation awarded a grant of $455,925 for the three-year project to be completed December 2011.

Awarded September 2008

Ongoing Grants

American Board of Internal Medicine

This three-year grant, due to be completed in 2009, tests the use of a Practice Improvement Module to train internal medicine and family practice residents to provide geriatric care in an ambulatory setting. Findings are being reviewed and summarized in the final year.

Association for Prevention Teaching and Research

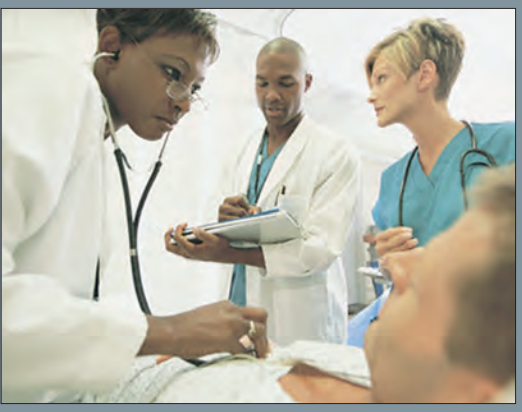
This grant, due for completion in 2010, supports development of a framework for a common curriculum about prevention to be used by seven health professions. It also supports development of a web-based Preventive Education Resource Center for use by faculty in those professions.

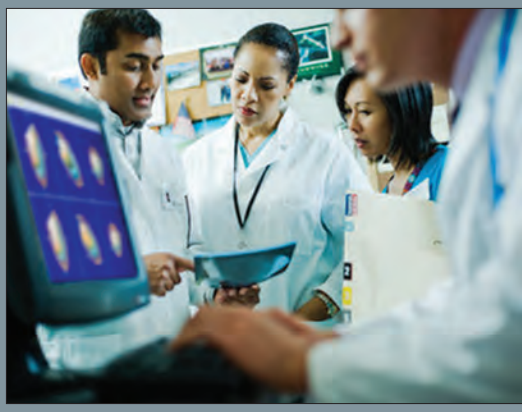
Association of Academic Health Centers

This grant, completed in August 2008, supported a study of the causes, implications, and solutions to health workforce shortages. Papers commissioned for the study are to be published as a book.

Association of American Medical Colleges

This grant, due for completion in 2009, supports the development by 10 medical schools of chronic disease teaching models for the four years of the medical school





curriculum. It also supports the redesign of training programs for internal medicine and family medicine residents in chronic disease care.

Association of American Medical Colleges

This grant supports the work of a task force on "Industry Funding of Medical Education," which aims to develop a set of principles to guide partnerships between academic medicine and industry. The task force's work is due for completion in 2009.

Brandeis University

This grant supports a study, due for completion in 2010, that is assessing faculty development at five medical schools which include, Duke University School of Medicine, George Washington University School of Medicine and Public Health, Tufts University School of Medicine, University of Minnesota Medical School, and the University of New Mexico School of Medicine. The study places emphasis on minority and women faculty members and on identifying ways to improve their career development by altering existing medical school cultures.

Case Western Reserve University

This grant, to be completed in 2009, supports a controlled study of an interdisciplinary approach to pain management. Twenty-four physicians are being trained to lead interdisciplinary pain management teams in this effort to make highly specialized pain management care more widely available.

Columbia University School of Dentistry

This grant, due for completion in 2009, supports a feasibility study and a national conference on new models of dental education designed to address the financial and educational challenges now confronting dental education.

Columbia University School of Nursing

This grant, to be completed in 2009, supports a project to develop a model curriculum, standards and measurable competencies, and a national certification test for the Clinical Doctorate in Nursing.

Fund for Public Health in New York, Inc.

This three-year grant, to be completed in 2010, supports the Epidemiology Scholars Program at the New York City Department of Health and Mental Hygiene and is a collaborative effort with several schools of public health nationally. Its goals are to develop sustainable agency-wide research aimed at reducing the morbidity and mortality gaps between the city's richest and poorest neighborhoods and to give practical field research experience for public health students.

George Washington University

This grant supports a study of past efforts to train new primary care physicians, recruit underrepresented minorities, and improve the geographic distribution of physicians, as well as an analysis of current efforts in these areas. Findings and recommendations for new and expanding medical schools, due in 2009, will be published and available to a broad audience.

Harvard Medical School

This three-year grant supports establishment of a Center for the Study of Diversity in Science. A major goal is to identify effective mechanisms for the academic and career advancement of racial and ethnic minority and urban and disadvantaged individuals. This will serve as a national resource for such efforts. Support continues to 2010.

Howard University College of Medicine

This grant, which continues through 2009, supports development of a multidisciplinary M.P.H. program with an emphasis on dual degree graduate training. The new program, with its goal of addressing health disparities among minority populations, will help meet the significant health needs of the greater Washington, D.C. area.

Memorial Sloan-Kettering Cancer Center

This grant, which ends in 2009, supports dissemination of a curriculum developed at Sloan-Kettering designed to provide training in communication skills for those who work with cancer patients. Support also is being used to assess effectiveness of the program and continue a train-the-trainers and fellows training program.

New York University

This grant, which runs through 2010, is based on the premise that global health involves the collaboration of many disciplines and supports development of an interdisciplinary master's program to prepare graduates for leadership in global public health. Graduates are expected to have first hand field experience in global health and learn to work in teams with those of different professional backgrounds.

School of Public Health and Health Professions at SUNY, Buffalo

This grant, which runs through 2010, supports the development, implementation, and evaluation of a core curriculum for the health professions. The curriculum will focus on professionalism/communications, evidence-based practice, and population health and wellness.

State University of New York-Upstate Medical Center

This grant, to be completed in 2009, supports the development of a strategic management simulation based modules of training competency for use in graduate medical education. These modules adapt for medicine interactive programs which have proved useful in other fields, such as aviation, the military, and corporations committed to effective decision-making.

The Task Force for Child Survival and Development

This grant, completed in November 2008, supported documentation of the history of the Epidemic Intelligence Service of the Centers for Disease Control and Prevention, and the writing of a biography about Dr. Alexander Langmuir, who started the service in 1951 to provide an early warning system against biological warfare and natural epidemics.

University of California, San Francisco

This grant supports a nation-wide study to assess the long-term impact of the Macy Consortia which introduced standardized patient clinical skills assessment as part of the licensing examination. Findings, completed in April 2008, are based on interviews with clinical educators and curricular deans.

University of Pennsylvania School of Medicine

This grant, completed in October 2008, provided funds for four medical school members of the Northeast consortium to work together to recruit and help develop minority physicians and scientists for careers in academic medicine. The consortium's work will provide a model for other universities faced with the challenge of recruiting and training minority faculty.

Wayne State University Medical School

This grant supported the testing of a model program that integrates the teaching of biomedical advances into graduate pediatric education and training. The project, completed in 2008, responded to a finding from the 2003 Macy Conference on "Pediatric Education in the 21st Century" that faulted pediatric education for failing to reflect new advances in human genetics and development.

Yale University School of Nursing

This grant, completed September 2008, supported a new Macy Scholars Program in which at least 10 Howard University college students have spent six weeks in the summer working at Yale in research projects focused on health disparities. Howard students, drawn from nursing as well as other fields, were matched with interdisciplinary research teams at Yale.

President's Discretionary Grants

July 1, 2007 — December 31, 2008

THE NATIONAL CENTER ON ADDICTION AND SUBSTANCE ABUSE AT COLUMBIA UNIVERSITY — **$ 35,000** **(awarded 7/1/07)**
This award provided partial support for a conference, "Double Jeopardy: Substance Abuse and Co-occurring Mental Health Disorders in Young People," held in October 2007 by the National Center on Addiction and Substance Abuse at Columbia University.

INSTITUTE OF MEDICINE OF THE NATIONAL ACADEMIES — **$ 35,000** **(awarded 7/9/07)**
This award provided partial support for a study of "Conflicts of Interest in Medical Research, Education, Patient Care, and Institutional Management."

THE NEW YORK ACADEMY OF MEDICINE — **$ 35,000** **(awarded 7/9/07)**
This award supported a collaborative program between the New York Academy of Medicine Office of School Health and the Mentoring in Medicine Program to provide pipeline mentoring for minority students.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST — **$ 10,000** **(awarded 8/30/07)**
This grant supported the development of a model conflict of-interest policy for consideration and potential adoption by the nation's medical journals.

WORLD EDUCATION, INC. — **$ 30,195** **(awarded 10/25/07)**
This grant supported Focus on Basics, a collaborative effort between health providers and adult literacy specialists.

LATINO COMMISSION ON AIDS — **$ 30,000** **(awarded 10/25/07)**
This award supported The 4th National Summit for Spanish-Speaking HIV Treatment Educators.

TUFTS UNIVERSITY SCHOOL OF MEDICINE — **$ 5,000** **(awarded 11/1/07)**
This award supported the "Learning Clinical Reasoning" project, which focused on clinical cognition.

THE NATIONAL CENTER ON ADDICTION AND SUBSTANCE ABUSE AT COLUMBIA UNIVERSITY — **$ 35,000** **(awarded 12/3/07)**
This award supported a CASACONFERENCE, entitled "Sobering Up the High Society: Substance Abuse and Public Policy."

CHICAGO STATE UNIVERSITY FOUNDATION **$ 35,000 (awarded 12/11/07)**
This award supported "Bringing It All Together for Pre-Health Profession Students," a pre-health profession collaborative model being tested at two and four year institutions.

STUDENT NATIONAL MEDICAL ASSOCIATION **$ 35,000 (awarded 1/10/08)**
This award supported the Future Scholars in Medicine and Scholars in Medicine program.

CLINICAL RESEARCH FORUM **$ 35,000 (awarded 1/29/08)**
This award supported the annual meeting on clinical research education in medical schools.

MASSACHUSETTS GENERAL HOSPITAL **$ 17,000 (awarded 2/11/08)**
This award supported the reunion of the Henry J. Kaiser Scholars in General Internal Medicine.

HARVARD MEDICAL SCHOOL- BLACKLOW **$ 35,000 (awarded 3/4/08)**
This award supported the project entitled "Preparing Minority and Disadvantaged College Students for Health Careers. A Longitude Study of an Academic Enhancement Program: The Harvard Health Careers Summer Program."

ASSOCIATION OF AMERICAN COLLEGES AND UNIVERSITIES **$ 35,000 (awarded 3/25/08)**
This award is to support the publication of *Peer Review* for the summer of 2009, which will provide concrete examples and approaches to the development of high quality undergraduate courses and curricula in public health.

SOCIETY FOR ACADEMIC EMERGENCY MEDICINE **$ 5,000 (awarded 03/27/08)**
This award supported travel and lodging for five speakers at a one day consensus conference on "The Science of Simulation in Healthcare: Defining and Developing Clinical Expertise."

HARVARD MEDICAL SCHOOL **$ 10,000 (awarded 04/09/08)**
This award supported a writing project entitled, "The Eleventh Commandment: How One African-American Surgeon came to face the Issue of Disparities in Medical Care and Arrived at Answers."

THE FOUNDATION FOR THE HISTORY OF WOMEN IN MEDICINE — **$ 25,000 (awarded 04/22/08)**
This award supported an innovative oral history project to document the historically significant personal and professional achievements of the six living awardees of the Alma Dea Morani Renaissance Women in Science award.

METROPOLITAN NEW YORK LIBRARY COUNCIL — **$ 10,000 (awarded 05/22/08)**
This award supported "MetroDoc," a collaboration between the Metropolitan New York Library Council and NYU Health Sciences Libraries.

BRIGHAM AND WOMEN'S HOSPITAL — **$ 5,000 (awarded 05/28/08)**
This award supported the Jonathan F. Borus, M.D. Endowed Lectureship in Psychiatric Education.

BRANDEIS UNIVERSITY – THE HELLER SCHOOL FOR SOCIAL POLICY AND MANAGEMENT — **$ 35,000 (awarded 06/30/08)**
This award will help support The Princeton Health Policy Conference, 2009.

UNITED HOSPITAL FUND — **$ 2,805 (awarded 06/30/08)**
This award supported the creation of the Clinical Quality Leadership Program, which is designed to promote physician leadership in quality improvement.

INSTITUTE OF MEDICINE OF THE NATIONAL ACADEMIES — **$ 35,000 (awarded 07/01/08)**
This award provided additional support for the study "Conflicts of Interest in Medical Research, Education, Patient Care, and Institutional Management."

PHYSICIANS FOR HUMAN RIGHTS — **$ 35,000 (awarded 07/07/08)**
This award supported the Physicians for Human Rights National Student Program.

THE ARNOLD P. GOLD FOUNDATION — **$ 35,000 (awarded 07/10/08)**
This award supported The Gold Humanism Honor Society Biennial 2008 (in Chicago on 09/25/-09/27).

BROWN UNIVERSITY/THE LEADERSHIP ALLIANCE — **$ 35,000 (awarded 07/10/08)**
This award supported a study to identify "Factors that Promote or Prevent the Pursuit of Faculty Positions in the Academy."

NEW ENGLAND HEALTHCARE INSTITUTE **$ 35,000 (awarded 08/09/08)**
This award supported initial background research on how to restructure primary care.

THE ALBERT SCHWEITZER FELLOWSHIP **$ 35,000 (awarded 08/09/08)**
This award supported the U.S. Schweitzer Fellows program, which focuses on service, working with underserved populations, and interdisciplinary collaboration.

THE SATCHER HEALTH LEADERSHIP INSTITUTE AT MOREHOUSE SCHOOL OF MEDICINE **$ 35,000 (awarded 10/30/08)**
This award supported a leadership development program, including program content/experience, partnerships, and recruitment of students/scholars.

PHYSICIANS FOR REPRODUCTIVE CHOICE AND HEALTH **$ 25,000 (awarded 11/10/08)**
This award supported a 2-day conference to develop strategies to promote reproductive health training reform across a wide range of primary care disciplines.

WEILL CORNELL MEDICAL COLLEGE **$ 5,000 (awarded 11/17/08)**
This award supported a health policy-oriented presentation/discussion seminar for senior and junior faculty, hospital and medical school administrators, residents, and fellows.

MEHARRY MEDICAL COLLEGE **$ 5,000 (awarded 11/17/08)**
This award supported the publication of An Act of Grace, the history of Meharry Medical College.

STANFORD UNIVERSITY SCHOOL OF MEDICINE **$ 35,000 (awarded 12/3/08)**
This award supported a project to develop a process for educational revitalization that would lead to new models of resident education in internal medicine.

WASHINGTON UNIVERSITY SCHOOL OF MEDICINE **$ 35,000 (awarded 12/04/08)**
This award supported Dr. Kenneth M. Ludmerer's book on the history of residency education in the United States.

CENTER TO ADVANCE PALLIATIVE CARE **$ 20,000 (awarded 12/18/08)**
This award supported the development of CAPC Campus Online, which will provide an e-learning platform offering courses on the operational and financial essentials of palliative care.

Financial Statements and Additional Information

June 30, 2008 and 2007

Contents

Independent Auditors Report

Board of Directors
Josiah Macy, Jr. Foundation

We have audited the accompanying statement of financial position of the Josiah Macy, Jr. Foundation (a not-for-profit corporation) as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of the Organization. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Josiah Macy, Jr. Foundation as of June 30, 2007, were audited by other auditors whose report dated November 14, 2007 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of the Josiah Macy, Jr. Foundation as of June 30, 2008 and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Statements of Financial Position

June 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents (Notes 1c and 10)	$ 6,755,042	$ 5,815,748
Investments, at fair value (Notes 1d, 5 and 9)	142,276,393	164,336,447
Accrued interest and dividends receivable	324,889	320,230
Prepaid expenses and other assets	244,195	29,570
Fixed assets, at cost, less accumulated depreciation (Notes 1e and 3)	2,527,140	2,082,960
Total Assets	$ 152,127,659	$ 172,584,955
Liabilities and Net Assets		
Liabilities:		
Due to broker	$ 360,423	$ 671,374
Grants payable (Notes 1f and 4)	862,790	323,912
Accrued retirement benefits (Note 8)	2,850	2,613
Other accrued liabilities	176,893	88,954
Deferred federal excise tax (Note 2)	67,872	250,874
Total Liabilities	1,470,828	1,337,727
Net Assets		
Unrestricted	150,656,831	171,247,228
Total Liabilities and Net Assets	$ 152,127,659	$ 172,584,955

See notes to financial statements.

Statements of Activities

Years ended June 30, 2008 and 2007

	2008	2007
Revenue		
Interest on investments	$ 1,667,466	$ 1,624,148
Dividends on investments	1,580,710	1,454,793
Grant refunds and other	215	406
Total Revenue	3,248,391	3,079,347
Expenses (Note 7)		
Salaries	945,432	736,553
Employee benefits (Note 8)	356,746	329,016
Professional services	372,071	142,932
Equipment and minor improvements	96,505	69,735
Utilities, insurance and building maintenance	68,171	67,384
Other administrative expenses	337,006	148,650
Investment counsel and custodian fees	791,161	952,511
Depreciation	20,660	23,039
Provision for taxes (Note 2)		
Excise and unrelated business tax	57,250	125,163
Deferred	(183,002)	145,874
Grants and conferences, publications and program planning		
Medical and premedical education	4,921,794	5,428,227
Discretionary grants awarded	500,000	500,000
Conferences	123,913	443,357
Other programs	300,376	342,754
Publications and program planning – net of refunds	333,626	128,201
Organizational dues	55,506	56,700
Total Expenses	9,097,215	9,640,096
Change in unrestricted net assets from operations	(5,848,824)	(6,560,749)
Net realized and unrealized gain on investments (Note 5)	(14,741,573)	24,201,031
Change in net assets	(20,590,397)	17,640,282
Net assets, beginning of year	171,247,228	153,606,946
Net Assets, End of Year	$150,656,831	$171,247,228

See notes to financial statements.

Statements of Cash Flows

Years ended June 30, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	$ (20,590,397)	$ 17,640,282
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	20,660	23,039
Net realized and unrealized loss (gain) on investments	14,741,573	(23,970,349)
(Credit) provision for deferred federal excise tax	(183,002)	145,874
Changes in operating assets and liabilities		
Accrued interest and dividends receivable	(4,659)	35,516
Prepaid expenses and other assets	(214,625)	9,227
Accrued retirement benefits	237	(187)
Grants payable	538,878	(414,908)
Other accrued liabilities	(46,136)	13,760
Net Cash Used By Operating Activities	**(5,737,471)**	**(6,517,746)**
Cash Flows From Investing Activities		
Purchases of investments	(104,133,769)	(160,242,666)
Proceeds from sales of investments	111,141,299	166,440,619
Payment for fixed asset additions	(330,765)	(6,450)
Net Cash Provided By Investing Activities	**6,676,765**	**6,191,503**
Net increase (decrease) in cash and cash equivalents	939,294	(326,243)
Cash and cash equivalents, beginning of year	5,815,748	6,141,991
Cash and Cash Equivalents, End of Year	**$ 6,755,042**	**$ 5,815,748**
Supplemental Disclosure of Cash Flow Information		
Excise taxes paid	$ 160,000	$ 115,000

See notes to financial statements.

Notes to Financial Statements

June 30, 2008 and 2007

Note 1 – Organization and Summary of Significant Accounting Policies

a. Organization

The Josiah Macy, Jr. Foundation (the "Foundation") is a private foundation which provides grants to colleges, universities and other professional associations relating primarily to medical education and preparation for careers in the health professions.

b. Net Assets Classification

The Foundation's net assets consist of unrestricted net assets which are fully available at the discretion of management and the Board of Directors to utilize in any of the Foundation's programs or supporting services.

c. Cash and Cash Equivalents

The Foundation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

d. Investments

Investments are carried at fair value in accordance with Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Investment income, including interest, dividends, realized and unrealized gains and losses, is recorded in unrestricted net assets since there are no donor restrictions on this income. Alternative investments are carried at fair values based on historical cost, appraisals or other estimates that require varying degrees of judgment and reflect the Foundation's share of realized and unrealized investment income and expenses of the respective investees.

e. Fixed Assets

Buildings and furnishings are recorded at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 15 years.

f. Grants

The Foundation normally provides grants to colleges, universities and other professional associations for a period of one to three years. These grants are recorded as expense at the time they become unconditional. Conditional or revocable grants are disclosed as future commitments.

g. Expense Allocations

Functional expenses which are not specifically attributable to program services or supporting services are allocated by management based on various allocation factors.

h. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Income Tax Status

The Foundation qualifies as a tax-exempt organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is not subject to federal income taxes under Internal Revenue Code Section 501(a). In addition, New York State (the "State") and New York City (the "City") have classified the Foundation as nonprofit in character and, as such, it is exempt from payment of income taxes to the State and City. However, as a private foundation, an excise tax of 1% or 2% is imposed on the net investment income of the Foundation.

Deferred federal excise tax arises from temporary differences between financial and tax reporting related to the difference between the cost basis and the fair value of marketable securities.

Unrelated business income taxes arise from investment activities that are subject to tax.

In addition, as a private foundation, qualifying distributions are required to be made for charitable, educational, or religious and scientific purposes equal to approximately 5% of the average fair value of the Foundation's cash and investments. All such required qualifying distributions have been made through June 30, 2008.

Note 3 – Fixed Assets

Fixed assets at June 30 consist of the following:

	2008	2007
Land	$1,922,700	$1,922,700
Buildings	1,281,672	1,274,772
Furniture and fixtures	79,446	79,446
Construction in progress (*)	457,941	–
Total fixed assets	3,741,759	3,276,918
Less: Accumulated depreciation	(1,214,619)	(1,193,959)
Fixed Assets, Net	**$2,527,140**	**$2,082,959**

(*) Construction in progress is expected to be completed in fiscal year 2009.

Note 4 – Grants and Conference Expense

Grants (including conference costs) authorized by the Board of Directors were as follows:

	2008	2007
Beginning balance	$ 7,420,313	$ 7,172,604
Authorized	2,878,391	7,415,902
Paid	(5,425,201)	(7,129,246)
Lapsed	(119,625)	(38,947)
Ending Balance	**$ 4,753,878**	**$ 7,420,313**
Grants payable	$ 862,790	$ 323,912
Future installments of multi-year grants and conference expense authorized	3,891,088	7,096,401
	$ 4,753,878	**$ 7,420,313**

At June 30, 2008, the Foundation's Board of Directors had authorized grants of $3,495,006 to be paid in future years. Of this amount $ 2,632,216 is conditional upon the grantees making satisfactory progress toward stated objectives and is revocable by the Board of Directors if certain conditions are not met.

Note 5 – Investments

The cost and fair value of investments were as follows:

	2008		2007	
	Cost	Fair Market	Cost	Fair Market
Common stock	$ 38,732,125	$ 33,389,627	$ 39,161,160	$ 43,385,349
U.S. government and agency obligations	9,523,664	9,490,364	10,605,654	10,416,282
Corporate obligations	15,052,150	14,221,907	12,435,582	12,327,899
Mutual funds	22,872,573	20,445,048	28,327,807	31,652,779
Alternative investments	49,308,242	64,729,447	48,718,819	66,554,138
Total	**$135,488,754**	**$142,276,393**	**$139,249,022**	**$164,336,447**

In Fiscal 2008 and 2007, the Foundation had investments in alternative investments that include a limited partnership, a trust and offshore corporations. While these investments contain varying degrees of risk, the Foundation's risk is limited to its capital investment in each investment (see Note 9).

Investment fees of approximately $ 2,836,000 related to the alternative investments were netted against the unrealized appreciation in 2008. Such fees approximated $ 2,238,000 in 2007.

Note 6 – Related Parties

Certain members of the Board of Directors of the Foundation have relationships with institutions that receive grants from the Foundation. Grants totaling $1,982,818 and $2,140,922 were paid to these institutions during the years ended June 30, 2008 and 2007, respectively. At June 30, 2008 and 2007, $1,410,432 and $3,393,250, respectively, were payable to these institutions (see Note 4). The Board members abstain from voting on grants to institutions with which they have a relationship.

Note 7 – Functional Expenses

Functional expenses were incurred for:

	2008	2007
Program services	$ 6,930,721	$ 7,612,753
Management and general	2,166,494	2,027,343
	$ 9,097,215	**$ 9,640,096**

Note 8 – Retirement Plan

The Foundation has a noncontributory employee retirement plan with Teachers Insurance and Annuity Association (TIAA) covering employees who meet specified service and age tests. The plan is funded by the purchase of individual annuity contracts with an insurance company. Premium payments of $99,520 and $94,671 were charged to operating expense for the years ended June 30, 2008 and 2007, respectively.

In addition, the Foundation's employees have the option to participate in supplemental retirement plans with TIAA through payroll deductions.

Note 9 – Fair Values of Financial Instruments

Investments are carried at fair value in accordance with Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations.* The following methods and assumptions were used by the Foundation in determining the fair value of financial instruments for reporting and/or disclosure purposes:

Cash and Cash Equivalents: The carrying amounts reported in the balance sheets approximate fair value.

Note 9 – Fair Values of Financial Instruments (continued)

United States Government and Agency Obligations, Corporate Obligations, International Fixed Income Funds, Common Stock, Commingled Equity Funds and Mutual Funds: The carrying amounts reported in the balance sheets are the fair values of the respective investments based on quoted market prices.

Alternative Investments: The Foundation accounts for certain investments that do not have a readily determinable fair value using the equity method of accounting based on investment valuations provided by the external investment managers as of June 30. Since the alternative investments generally follow the fair value accounting model, the Foundation's use of the equity method generally should approximate the fair value of its ownership interests.

The Foundation's alternative investments include limited partnerships, offshore corporations and a trust, some of which employ traditional strategies (long only) in readily marketable securities (liquid equities or bonds traded on exchanges) and others of which employ less traditional strategies such as long/short hedge fund investing for capital appreciation; multi-strategy event driven funds (long and short equity or fixed income, distressed/event driven, distressed debt, arbitrage strategies, etc.) that may include the use of options, futures and other derivative instruments. The Foundation's alternative investments themselves have interests in limited partnerships, U.S. and international public equities, private equity, fixed income, real estate and commodities, depending on the legal structure and investment strategy of the underlying manager. Because alternative investments are not readily marketable, their estimated fair values are subject to judgment and uncertainty and therefore may differ from the values that would have been used had a ready market for such investments existed. Such differences could be material.

Note 10 – Concentration of Credit Risk

The Foundation maintains its cash balances in The Bank of New York Mellon. The balances are insured by the Federal Deposit Insurance Corporation or the Securities Investors Protection Corporation up to certain limits.

Note 11 – Subsequent Event

In August 2008, the Foundation secured a $2,000,000 line of credit with The Bank of New York Mellon, which expires on July 31, 2009. Advances on the line of credit provide for an interest rate based on either the prime rate, or the LIBOR rate plus 1.25%.

Additional Information

Independent Auditors Report on Additional Information

To the Board of Directors of
Josiah Macy, Jr. Foundation

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The 2008 Schedules of Grants and President's Discretionary Grants Awarded are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schedule of Grants

Year ended June 30, 2008

	Balance at June 30, 2007	Authorized for Current and Future Years	Paid	Lapsed	Balance at June 30, 2008
American Board of Internal Medicine	$ 169,400	$ –	$ 169,400	$ –	$ –
American Dental Education Association	–	550,457	550,457	–	–
Association of American Medical Colleges*	144,041	–	144,041	–	–
Association of American Medical Colleges*	–	269,500	–	–	269,500
Brandeis University*	1,500,000	–	750,000	–	750,000
Columbia University School of Nursing*	480,681	–	480,681	–	–
Fund for Public Health in New York, Inc.	291,866	–	145,015	–	146,851
The George Washington University	375,085	–	–	–	375,085
Harvard Medical School*	984,344	–	323,912	–	660,432
Institute of Medicine of the National Academies	–	428,177	–	–	428,177
Massachusetts General Hospital Institute of Health Policy	–	165,113	–	–	165,113
New York University	629,145	–	341,880	–	287,265
Robert Graham Center for Policy Studies	–	195,144	195,144	–	–
School of Public Health and Health Professions of the University at Buffalo (SUNY)	128,535	_	128,535	–	–
State University of New York – Upstate Medical Center	428,967	–	428,967	–	–
University of Pennsylvania	826,146	_	413,563	–	412,583
Wayne State University Medical School	27,138	–	27,137	1	–
Yale University School of Nursing*	284,184	–	284,184	–	–
Total Medical and Premedical Education	**6,269,532**	**1,608,391**	**4,382,916**	**1**	**3,495,006**
Conferences	230,781	350,000	241,909	–	338,872
Other Programs: Matching Gifts Program	420,000	420,000	300,376	119,624	420,000
President's Descretionary Grants Awarded	500,000	500,000	500,000	–	500,000
Totals	**$ 7,420,313**	**$ 2,878,391**	**$ 5,425,201**	**$ 119,625**	**$ 4,753,878**

** Certain members of the Board of Directors of the Foundation have relationships with these institutions. See Note 6 to the accompanying financial statements.*

See independent auditor's report on additional information.

Schedule of President's Discretionary Grants Awarded (Detail)

Year ended June 30, 2008

Association of American Colleges and Universities	$	35,000
Brandeis University		35,000
Brigham & Women's Hospital		5,000
Center for Science in the Public Interest		10,000
Chicago State University Foundation		35,000
Clinical Research Forum		35,000
The Foundation for the History of Women in Medicine		25,000
Harvard Medical School		10,000
Harvard Medical School		35,000
Institute of Medicine of the National Academies		35,000
Latino Commission on AIDS		30,000
Massachusetts General Hospital		17,000
The New York Academy of Medicine		35,000
New York Metropolitan Library Council		10,000
The National Center on Addiction and Substance Abuse		35,000
The National Center on Addiction and Substance Abuse		35,000
Society for Academic Emergency Medicine		5,000
Student National Medical Association		35,000
Tufts University School of Medicine		5,000
United Hospital Fund		2,805
World Education, Inc.		30,195
	$	500,000

See independent auditor's report on additional information.

Grant Guidelines

The Macy Foundation is primarily focused on domestic health professional education.

Proposals are evaluated on the importance of the project and its relevance to the Foundation's funding priorities; the significance of the project's expected results and potential applicability to similar situations; and the sponsor's commitment to continue successful programs after the Foundation's support ceases. Grants are made only to tax-exempt institutions or agencies; no grants are made directly to individuals. The Foundation does not consider requests for general undesignated support, endowments, equipment, construction or renovation projects. The Foundation generally cannot support individual institutions in their efforts at curriculum change, however worthy. The Foundation is a grant making organization and cannot give gifts or make contributions to capital campaigns. Because the Foundation conducts its own conference program, it does not generally support conferences of other organizations.

Applications may be made at any time for support of activities consistent with the Foundation's guidelines. A preliminary letter of no more than three pages will determine whether submission of a full proposal is warranted.

All letters of inquiry should include:

- the name of the sponsoring agency or institution;
- a description of the project;
- the names and qualifications of the persons who will be responsible for the project; and
- an initial budget.

An important component of your letter of inquiry is the initial budget. For your convenience we provide a brief form to be filled out using your best judgment of expenses that is available at *www.macyfoundation.org/index.php?section=grant_guidelines*

As a matter of policy, the Foundation does not accept submission of applications via e-mail or the Internet.

Please send all correspondence to:

George E. Thibault, M.D., President
Josiah Macy, Jr. Foundation
44 East 64th Street
New York, NY 10065

After a review and evaluation, requests to the Foundation are processed and answered in a timely fashion. Due to the large volume of correspondence and our small staff size, the Foundation is unable to critique letters of inquiry that have been declined.

Finally, the Foundation can act favorably on relatively few of the more than five hundred grant requests received each year. Many proposals must be declined even though they are appropriate to the Foundation's areas of interest and appear to be of merit.

Written by: Mary Hager
Designed by: Klaboe Design, New York, NY
Photographs: David Klaboe, NYC; Ernest McCreight, Bermuda;
Tumbleston Photography, Charleston, SC; GettyImages.com;
Corbis.com; Fotosearch.com; and Iphoto.com.
Printed in U.S.A. by Cinnamon Graphics, Inc., NYC

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