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Committee Meeting: 8/9/2006

Board Meeting: 8/10/2006
Arlington, Texas

Rita C. Clements, Chairman
H. Scott Caven, Jr.
Judith L. Craven, M.D.
Cyndi Taylor Krier
Robert B. Rowling

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1. U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine	<i>2:47 p.m.</i> Report <i>Dr. Shine</i>	Not on Agenda	209
2. U. T. Health Science Center - San Antonio: Authorization to establish an International Dental Education Program for the Dental School and approve proposed tuition and fees for this program	<i>3:00 p.m.</i> Action <i>President Cigarroa</i>	Action	209
3. U. T. Southwestern Medical Center - Dallas: Biotechnology Development Complex - Phase I - Amendment of the FY 2006 - 2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include project; approval of total project cost; and authorization for institutional management	<i>3:10 p.m.</i> Action <i>Mr. Dixon</i>	Action	212
4. U. T. System: Authorization to lease approximately 15.857 gross acres of unimproved land legally described as Lot 1, Block C, Mueller Section 1, Phase A Subdivision, bounded on the north by East 51st Street, on the east by Mueller Boulevard, on the south by Barbara Jordan Boulevard, and on the west by Lancaster Drive, and part of the former 700-acre Robert Mueller Municipal Airport, Austin, Travis County, Texas, from the City of Austin for a nominal rental rate for development and use as an academic health center	<i>3:25 p.m.</i> Action <i>Dr. Shine</i> <i>Ms. Mayne</i>	Action	213
5. U. T. System: Approval to set The University of Texas System Professional Medical Liability Benefit Plan premium rates for Fiscal Year 2007, approval to distribute a portion of Plan Premium Returns, and amendment of Plan coverage	<i>3:35 p.m.</i> Action <i>Dr. Shine</i> <i>Mr. Burgdorf</i>	Action	216
Adjourn	<i>3:45 p.m.</i>		

1. **U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine**

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.

2. **U. T. Health Science Center - San Antonio: Authorization to establish an International Dental Education Program for the Dental School and approve proposed tuition and fees for this program**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Cigarroa that authorization be granted pursuant to the Regents' *Rules and Regulations*, Series 40307, to

- a. establish an International Dentist Education Program in the Dental School at U. T. Health Science Center - San Antonio;
- b. set tuition and fees associated with this program; and
- c. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

BACKGROUND INFORMATION

Program Description

The U. T. Dental School - San Antonio proposes to establish an International Dentist Education Program (IDEP) designed for dentists who have trained in countries other than the U.S. or Canada with the education and training required to meet the educational requirements necessary for licensure in the U.S. This would be the first program of its kind in Texas. The IDEP would be 24-26 months in length and would result in a Doctor of Dental Surgery (D.D.S.) degree. The shortened timeframe is possible because of the substantial background and experience international students will have prior to entering the program.

Need and Student Demand

Dentists who have moved to the U.S. find they are prevented from practicing their profession by state laws requiring graduation from a dental school accredited by the Commission on Dental Accreditation. The demand for programs allowing them to meet the requirements is great. For example, the University of California at San Francisco has seen applications for 24 positions increase from 46 in 2001 to 303 applications in 2005. In response, several dental schools including the University of Colorado and the University of Florida have implemented programs tailored to meet the needs of these internationally trained dentists.

Currently there is a shortage of dentists seeking academic careers and the shortage will increase as the large number of academic dentists aged 55-65 begins to retire. There also are large segments of the population, usually defined by their ethnic diversity and lower socioeconomic status, with limited access to oral healthcare. Preliminary evidence suggests that graduates of international programs are more likely to pursue careers in academic dentistry and more likely to provide care to ethnically diverse populations. By granting the D.D.S. degree to successful international candidates, the hope is that some will pursue careers in academics or establish practices in areas of need.

Program Quality

The program will admit 10 students per year with a maximum of 20 students enrolled when the program reaches maturity. Students entering the program must have passed Parts 1 and 2 of the Dental National Board Examination. They will have demonstrated acquisition of the basic and clinical science foundation knowledge necessary for clinical practice so there is no direct implication for didactic instruction. Special preclinical courses will be necessary to ensure students are well grounded in the procedures and materials used in U.S. dental practice. These courses will be provided following an individual assessment of each student's capability through a series of simulated patient experiences. The Dental School has sufficient lecture halls, small classrooms, preclinical laboratories, and clinical facilities to absorb 20 additional students.

Program Cost and Proposed Tuition and Fees

As proposed, the tuition charged would allow the IDEP to be self-supporting. Prospective budgets suggest the program could generate additional revenue that could be used to enhance the Dental School's faculty incentive program to help reduce the continually increasing earning differential between academic and private practice dentists. As shown in the table on Page 211, the proposed tuition and fees for year one residents total \$50,952 and total \$61,752 for nonresidents. The tuition and fees for the year two students decreases by approximately \$3,000 for both residents and nonresidents because of no computer nor implant fee.

International Dental Education Program

Proposed Tuition and Fees - FY2007-08

Level	Student Service *	Statutory Resident** Tuition*	Statutory Non-Resident** Tuition*	Resident** Designated Tuition	Non-Resident** Designated Tuition	Resident** Differential Tuition	Non-Resident** Differential Tuition	Medical Services Fee *	Liability Insurance *	Required Major Medical Health Insurance *	Library Fee *	Technology Support Fee *	Clinical Usage Fe *
YR 1	\$220	\$5,400	\$16,200	\$25,925	\$4,325	\$10,800	\$32,400	\$135	\$30	\$1,039	\$200	\$350	\$500
YR 2	\$220	\$5,400	\$16,200	\$25,925	\$4,325	\$10,800	\$32,400	\$135	\$30	\$1,039	\$200	\$350	\$500

Other Proposed Costs - FY2007-08

Level	Vital Source				Parking *
	Computer *	Technology *	Supplemental Kit *	Implant Fee *	
YR 1	\$2,500	\$1,500	\$5	\$500	\$48
YR 2	\$0	\$1,500	\$0	\$0	\$48
	Grand Total Residents**	Grand Total Non-Residents**	Grand Total Residents**	Grand Total Non-Residents**	
	\$50,952	\$61,752	\$48,007	\$58,807	

* Based upon FY2006-07 values (subject to change)

** Resident/Non-Resident status is determined by Texas laws defining "residency for admissions and tuition purposes at a public college or university".

Prepared by Dr. Kenneth Kalkwarf

June 14, 2006

3. U. T. Southwestern Medical Center - Dallas: Biotechnology Development Complex - Phase I - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include project; approval of total project cost; and authorization for institutional management

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Wildenthal that the U. T. System Board of Regents amend the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include the Biotechnology Development Complex - Phase I project at The University of Texas Southwestern Medical Center at Dallas as follows:

Project No.: 303-269
Architecturally or Historically Significant: Yes No
Institutionally Managed: Yes No
Project Delivery Method: Construction Manager at Risk
Substantial Completion Date: July 2010

Total Project Cost: Source Proposed
Revenue Financing System Bond Proceeds \$46,100,000

- a. approve a total project cost of \$46,100,000 with funding from Revenue Financing System Bond Proceeds; and
- b. authorize U. T. Southwestern Medical Center - Dallas to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

The proposed project includes a three-story building with 100,000 gross square feet to accommodate biomedical research and associated activities. Space would be leased to biotechnology companies that would have a symbiotic relationship with U. T. Southwestern Medical Center - Dallas. The project includes the building, site utilities, and parking. The project would also include the demolition of an existing garage and warehouse structures left on the site.

U. T. Southwestern Medical Center - Dallas Facilities Management personnel have the experience and capability to manage all aspects of the work.

This proposed off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

4. **U. T. System: Authorization to lease approximately 15.857 gross acres of unimproved land legally described as Lot 1, Block C, Mueller Section 1, Phase A Subdivision, bounded on the north by East 51st Street, on the east by Mueller Boulevard, on the south by Barbara Jordan Boulevard, and on the west by Lancaster Drive, and part of the former 700-acre Robert Mueller Municipal Airport, Austin, Travis County, Texas, from the City of Austin for a nominal rental rate for development and use as an academic health center**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and the Executive Vice Chancellor for Business Affairs that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. System Administration, to

- a. lease from the City of Austin for a term of 99 years at a total rental rate of \$99 approximately 15.857 gross acres of unimproved land legally described as Lot 1, Block C, Mueller Section 1, Phase A Subdivision, Austin, Travis County, Texas, from the City of Austin for a nominal rental rate for development and use as an academic health center; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

U. T. System Administration proposes to lease the subject property for development and use as an academic health center for U. T. System. Efforts are currently underway to develop a master plan for the property, which will include an initial building of approximately 150,000 square feet for the new Dell Pediatric Research Institute. The Michael & Susan Dell Foundation recently awarded a matching grant over three years to enable U. T. System to establish the research institute in Austin at the former Robert Mueller Municipal Airport site, adjacent to the new Dell Children's Medical Center of Central Texas. The new facility is scheduled to open in 2009.

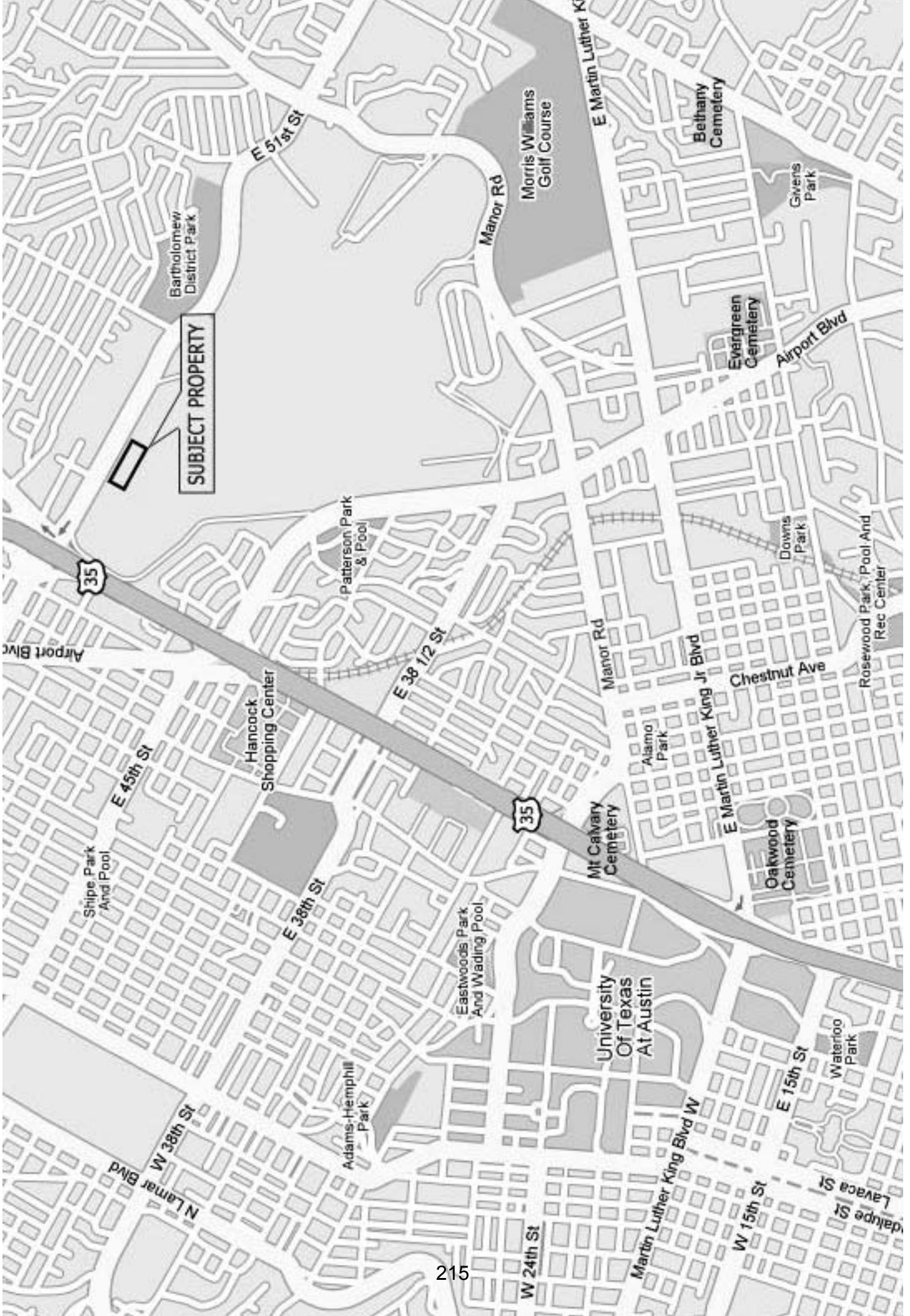
The lease tract is part of the former Robert Mueller Municipal Airport that covered approximately 700 acres of land. The City of Austin developed the Robert Mueller Municipal Airport Redevelopment and Reuse Plan in 2000. Use of the subject property by U. T. System for medical, academic, research and teaching facilities, and ancillary uses is contemplated by the plan.

The rental will be a nominal \$99 for the 99-year term. The cost of infrastructure installed previously by the developer of the master planned subdivision and attributable to the parcel, however, must be reimbursed by U. T. System and is included as a \$4 million expense in the Capital Improvement Program of U. T. Austin pertaining to the construction of the Dell Pediatric Research Institute.

The terms and conditions of the lease are reflected in the transaction summary below:

Transaction Summary

Institution:	U. T. System Administration
Type of Transaction:	Lease
Total Area:	15.857 gross acres, or 14.1 net acres
Improvements:	None
Location:	Lot 1, Block C, Mueller Section 1, Phase A Subdivision; bounded on the north by East 51st Street, on the east by Mueller Boulevard, on the south by Barbara Jordan Boulevard, and on the west by Lancaster Drive, and part of the former 700-acre Robert Mueller Municipal Airport; see attached map on Page <u>215</u> .
Total Rent:	\$99.00
Lease Term:	99 years
Additional Expenses:	The property's pro rata share of infrastructure for Section 1, Phase A, including a regional detention pond; the pro rata share is estimated to be \$4,736,354, but has not yet been confirmed by U. T. System staff, and will be paid to the master developer, Catellus Austin, LLC, who has indicated that they will accept an infrastructure payment amount of \$4 million.
Source of Funds:	The infrastructure fee of \$4 million is a component of the \$97 million total project costs identified with the U. T. Austin project added to the Capital Improvement Program at the June 20, 2006 Board of Regents' meeting.
Intended Use:	The U. T. System Academic Health Center; initial improvements to be constructed on the site will consist of the Dell Pediatric Research Institute, structured and surface parking with office and retail space at the street front of the structured parking, and general site improvements, including landscaping.



5. **U. T. System: Approval to set The University of Texas System Professional Medical Liability Benefit Plan premium rates for Fiscal Year 2007, approval to distribute a portion of Plan Premium Returns, and amendment of Plan coverage**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that

- a. all Plan participant premium rates for Fiscal Year 2007 for The University of Texas System Professional Medical Liability Benefit Plan (Plan) be unchanged from the rates for Fiscal Year 2006;
- b. \$25 million be distributed from Plan premium returns as follows: \$17 million to the participating U. T. System institutions pro rata in accordance with the premium contributions of Plan participants at each participating institution, \$5 million to establish a U. T. System business interruption self-insurance pool, and \$3 million to be used at the discretion of the Executive Vice Chancellor for Health Affairs for collaborative projects that include one or more U. T. System institutions participating in the Plan; and
- c. amend the Plan to allow U. T. physicians and dentists who are providing professional services internationally on behalf of U. T. to be covered for professional liability purposes.

The premium rates for Fiscal Year 2007 are set forth in Exhibit 1 (Page 218). The business interruption self-insurance pool is detailed in Exhibit 2 (Page 219). The proposed distribution of \$25 million in Plan premium returns is set forth in Exhibit 3 (Page 220). The proposed Plan amendment for international coverage is set forth in Exhibit 4 (Page 221).

BACKGROUND INFORMATION

Amendments to the Plan were adopted on February 13, 2003 and August 12, 2004. The amendments had the effect of changing the definition of the term "Plan territory" for which Plan coverage is provided to U. T. physicians and dentists. Under the latest amendments, U. T. physicians and dentists are not covered under the Plan for physician services provided outside the U.S., its territories or possessions, or Canada, as they had been previously. This issue affects approximately 75 physicians at the six U. T. health institutions. Over a three-year period, international services have

generated \$4.75 million in revenue to U. T. M. D. Anderson Cancer Center. The amendment will allow for U. T. physicians to be covered internationally after meeting conditions of participation. Conditions of participation will include the approval of the institutional president or department chair and the payment of an additional premium for international coverage. The coverage will be available on only an episodic basis.

The University of Texas System Professional Medical Liability Benefit Plan
Summary of Rates by Risk Class by Institution

Risk Class 1

Institution	Fiscal Year 2007 Rates	
	Staff	Resident
UTMDACC	\$1,025	\$959
UTSWMC	1,019	953
UTMB	1,675	1,567
UTHSCH	1,624	1,519
UTHSCSA	1,214	1,137
UTHCT	1,452	1,358
UT Austin	1,214	1,137
UT Arl	1,214	1,137
UTSA	1,214	1,137

Risk Class 2

Institution	Fiscal Year 2007 Rates	
	Staff	Resident
UTMDACC	\$1,603	\$1,500
UTSWMC	1,594	1,491
UTMB	2,620	2,453
UTHSCH	2,541	2,378
UTHSCSA	1,899	1,780
UTHCT	2,272	2,126
UT Austin	1,899	1,780
UT Arl	1,899	1,780
UTSA	1,899	1,780

Risk Class 3

Institution	Fiscal Year 2007 Rates	
	Staff	Resident
UTMDACC	\$2,562	\$2,397
UTSWMC	2,546	2,382
UTMB	4,185	3,918
UTHSCH	4,059	3,799
UTHSCSA	3,034	2,843
UTHCT	3,630	3,396
UT Austin	3,034	2,843
UT Arl	3,034	2,843
UTSA	3,034	2,843

Risk Class 4

Institution	Fiscal Year 2007 Rates	
	Staff	Resident
UTMDACC	\$4,765	\$4,458
UTSWMC	4,735	4,430
UTMB	7,785	7,287
UTHSCH	7,550	7,066
UTHSCSA	5,642	5,288
UTHCT	6,750	6,317
UT Austin	5,642	5,288
UT Arl	5,642	5,288
UTSA	5,642	5,288

Risk Class 5

Institution	Fiscal Year 2007 Rates	
	Staff	Resident
UTMDACC	\$7,019	\$6,568
UTSWMC	6,976	6,526
UTMB	11,468	10,735
UTHSCH	11,120	10,408
UTHSCSA	8,312	7,791
UTHCT	9,943	9,306
UT Austin	8,312	7,791
UT Arl	8,312	7,791
UTSA	8,312	7,791

All Risk Classes Combined

Institution	Fiscal Year 2007 Rates	
	Staff	Resident
UTMDACC	\$2,464	\$2,974
UTSWMC	2,792	2,538
UTMB	4,546	4,274
UTHSCH	4,290	9,206
UTHSCSA	2,867	3,127
UTHCT	2,809	4,260
UT Austin	NA	NA
UT Arl	NA	NA
UTSA	NA	NA
Total Weighted Average	3,252	3,370

Prepared by Barry Burgdorf, Vice Chancellor and General Counsel
 July 13, 2006

For easier presentation, the premium rates shown here have been rounded by Tillinghast-Towers Perrin, the Plan actuary.
 Office of General Counsel 7/25/05

Risk Financing Recommendation for Health Care Business Interruption Loss Pool

Background

The University of Texas System's Comprehensive Property Protection Plan ("CPPP") was established in 1995 as a means of financing catastrophic property losses. In 2002, due to a hardened insurance market, adverse loss experience from Tropical Storm Allison, and the unavailability of reasonable coverage for named-windstorms and flood perils, the Board of Regents allocated \$5.5 million to restructure the Plan. The restructured CPPP consists of two programs.

The first program covers fire and other perils and includes a layer of self-insurance (\$7.5 million per occurrence and \$25 million annual aggregate) and commercial insurance with a \$1 billion limit. This program includes coverage for business interruption losses associated with direct physical loss resulting from a covered peril. Named-windstorm and/or flood in the 100-year flood zones are not covered perils.

The second program consists of a self-insurance fund which is supported with a mechanism to issue debt up to \$50 million for physical damage resulting from named-windstorm and catastrophic flood events. Insurance policies providing relatively low limits (\$1-3 million per building/contents) are purchased through the Texas Windstorm Insurance Association and the National Flood Insurance Program. These policies provide a primary layer of insurance. Business interruption losses are not covered by the program since the program is supported by the issuance of debt.

Issue and Recommendation

The University of Texas System does not have a mechanism to finance business interruption losses resulting from physical damage to its facilities during a named-windstorm and/or catastrophic flood event, or from a mandatory evacuation resulting from an impending named-windstorm where no physical damage is sustained by the institution. In addition, certain other incidents could arise that may result in a business interruption loss that is not covered by established risk financing programs.

It is recommended that \$5 million be allocated from the Professional Medical Liability fund to establish a U. T. System business interruption self-insurance pool. The purpose of the pool will be to provide a level of coverage for business interruption losses that health Institutions sustain that are not otherwise covered by existing risk financing programs.

The Office of Risk Management will work with the Medical Liability Management Committee, the Business Management Council, and the Risk Management Advisory Committee to develop the terms, conditions, deductibles, and limits. In addition, because \$5 million is a limited fund amount, discussions will include ongoing capitalization and premium allocation methodologies that may include options for participation by those institutions that do not participate in the Professional Medical Liability Program.

The University of Texas System Professional Medical Liability Benefit Plan
Proposed Distribution of Plan Returns

Pro Rata Distribution to Institutions:

<u>Institution</u>	<u>2006 Premium</u>	<u>% Distribution</u>	<u>Distribution</u>
UTMB	\$ 5,524,498	27.486%	\$ 4,672,625
UTSWMC	3,985,770	19.830%	3,371,167
UTHSCSA	3,638,864	18.104%	3,077,754
UTHSCH	2,645,361	13.161%	2,237,448
UTMDACC	2,410,688	11.994%	2,038,962
Med Foundation*	1,598,821	7.955%	1,352,284
UTHCT	250,566	1.247%	211,929
UT Austin	37,410	0.186%	31,641
UT San Antonio	3,771	0.019%	3,190
UT Arlington	<u>3,547</u>	<u>0.018%</u>	<u>3,000</u>
 TOTAL	 \$20,099,296	 100.000%	 \$17,000,000

*Estimated 4th quarter-Med Foundation and Final Premium Billing

Establishment of U. T. System business interruption self-insurance pool	5,000,000
Collaborative Projects Fund	<u>3,000,000</u>
 Total Proposed Distribution of Plan Returns	 <u>\$25,000,000</u>

Prepared by Barry Burgdorf, Vice Chancellor and General Counsel
 July 13, 2006

Article II
Definitions

Unless otherwise required by the context, the following definitions shall control:

...

B. ***Liability Claim*** means a claim, lawsuit or cause of action based upon treatment or lack of treatment within the United States of America, its territories or possessions, or Canada that departs from accepted standards of medical or dental care which proximately results in injury to or death of a patient, whether the claim or cause of action sounds in tort or contract, subject to the exclusions described in Article V, Section 4, below. This definition shall extend to anywhere in the world for full-time or part-time faculty of a medical or dental school or hospital of the System after compliance with conditions for participation set by the Administrator and the Executive Vice Chancellor for Health Affairs or a delegate.