

Mapping our Road Ahead

Presented to the Legislative Budget Board

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A Wise Investment

UTMB's role in securing/maintaining the health and well-being of Texans

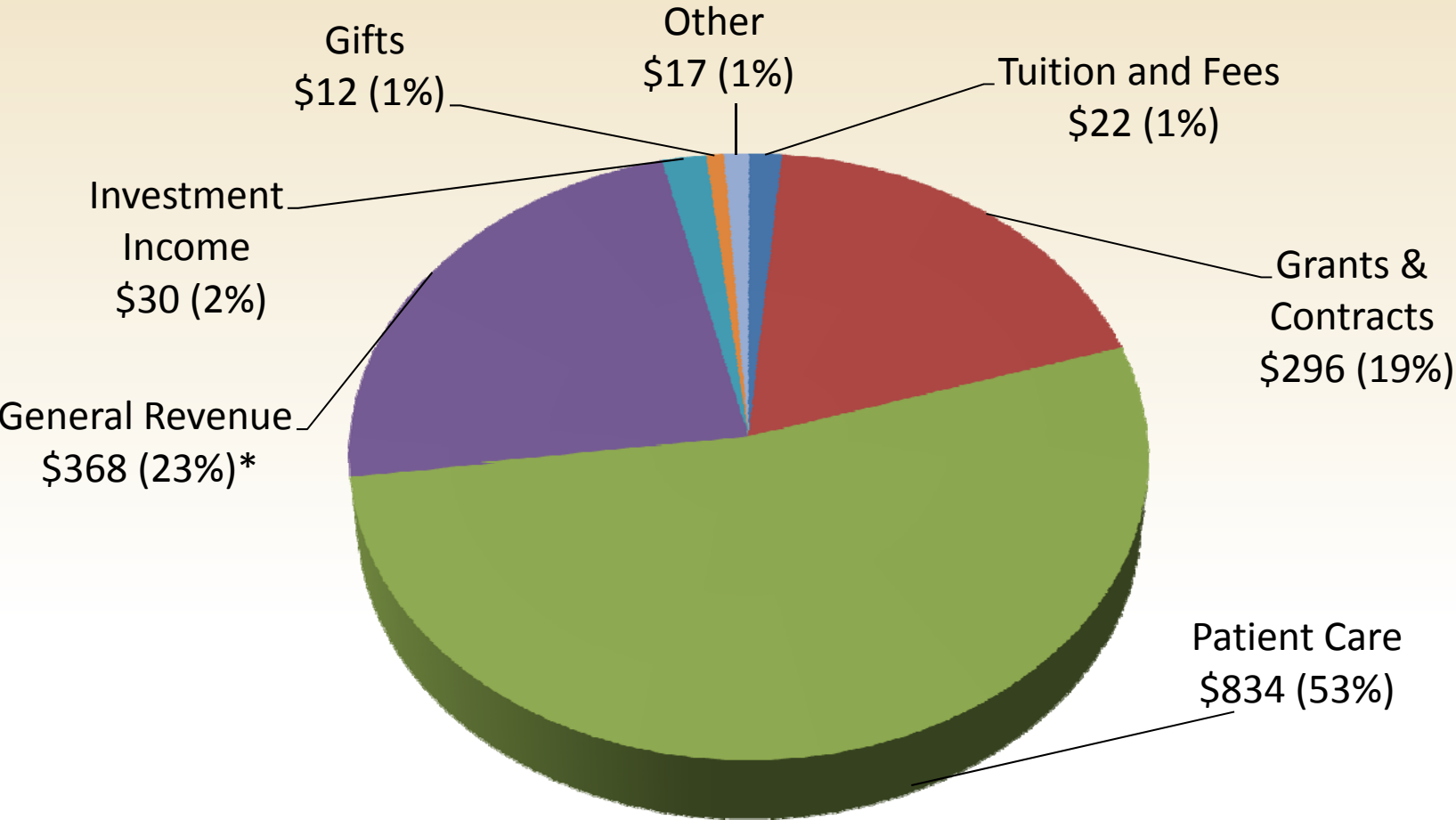
- We are uniquely qualified to address chronic, age-related, debilitating illnesses such as diabetes, neurodegenerative disease, cancer and cardiovascular disease by focusing our considerable expertise in translational research and applying our findings to the delivery of care
 - Account for huge portion of health care costs
 - Will grow in prevalence as we gain population and population ages
 - If left unchecked, will devastate individuals, families and economy
- We are uniquely qualified to address the shortage and mal-distribution of health care practitioners by educating more students more quickly, instilling in them a passion for lifelong learning and arming them with the right mix of skills to care for a growing, aging population
 - Shortages already acute due to growing, aging population AND aging health care work force
 - Health care reform will exacerbate shortages
 - Key to increasing access to care

Total statewide impact of health-and education-related ongoing operations and collateral spending

- \$3.7B in total expenditures, \$1.9B in output (gross product), 26,198 permanent jobs (2010 study)

UTMB Funding Sources—FY2010 Actuals

Not Final as of 9/28/2010



**Does not reflect DSH/UPL payback to GR*

Highlights: Education Status as of August 2010

School of Medicine

- Nationwide diversity rankings:
 - #1 in under-represented minority medical graduates
 - #1 in Hispanic medical graduates
 - #10 in African American medical graduates

	USMLE Scores	
	2009 UTMB SOM	2009 National
Avg. Score	229	221
Pass Rate	97%	93%

School of Nursing

- School of Nursing programs are ranked in the top 25% of comparable programs nationally
- In 2009, SON was one of only nine of the state's 97 initial licensure programs to achieve an 85% graduation rate and an 85% licensure pass rate
- BSN students achieved a 99% pass rate on the NCLEX exam, compared to the state average of 91%

Graduate Medical Education

- GME program in Galveston: 640 slots compared to pre-Ike slots of 734 (total for Galveston and Austin); Austin GME program with 135 residents shifted to UTSW as part of UT System's educational alignment in Austin

Commencements 2009-2010

- School of Nursing, 276 graduates
- Graduate School of Biomedical Sciences, 53 graduates
- School of Medicine, 220 graduates
- School of Health Professions, 245 graduates

New Academic Programs

- Doctorates in rehabilitation science, occupational therapy and clinical laboratory sciences; a doctorate in nursing practice has received initial approval; SOM curriculum now features tracks in global health, aerospace medicine, rural health and bilingual medicine; a public health track will launch during the coming academic year

Highlights: Research Status as of August 2010

- \$203M in grants/contracts awards (FY10) vs. \$153M (FY09)
- Awarded \$112M from NIH as of May 2010, a slight increase (1%) over the prior 12-month period ending May 2009
- Awarded prestigious 5-year, \$21.5 million Clinical Translational Science Award (CTSA) from the NIH (one of four in Texas) to support multidisciplinary teams of researchers in the push to more quickly transform laboratory discoveries into new treatment options for patients
- \$10.9M grant to establish the National Institute of Allergy and Infectious Disease Clinical Proteomics Center in Biodefense, the only such center in the nation
- Galveston National Lab
 - Approved to begin full operation by CDC
 - Molecular Epidemiology Laboratory achieved Clinical Laboratory Improvement Amendments (CLIA) certification in summer 2009, enabling the lab to test human clinical samples in the event of disease outbreaks in Texas
 - Helped Department of State Health Services during 2009 H1N1 influenza epidemic by testing more than 1,000 human samples, easing the workload of and providing key data to state and international partners
 - UTMB National Biocontainment Training Center, established through a U.S. Department of Defense appropriation, trains BSL-4 researchers and engineers from throughout the country

Highlights: Health System Status as of August 2010

- Now a full member of the Texas Medical Center, further strengthening our long-standing ties and opportunities for collaboration in education, research and patient care with various member institutions
- Trauma Center reopened in August 2009—fully operational; Level I designation requires provision of services for one year before accreditation review—application anticipated no later than October 2010; designation expected by April 2011
- Hospital is at 400 staffed beds and 26,256 actual admissions (August 31, 2010)
- Clinic outpatient visits are higher than projected, at 589,977 (August 31, 2010); mainland clinics have been consolidated and relocated for greater efficiency and access
- UTMB Specialty Care Center at Victory Lakes opened May 2010 in League City; ambulatory facility offers specialty surgical services, outpatient surgery, advanced imaging services and breast health center; Since opening in May 2010, 13,900+ visits (average 160 visits/day); in the first month of operation, 31% of clinic visits were new patients to UTMB
- UTMB continues to run Austin Women's Hospital: 1,696 deliveries and 3,507 admissions for FY08; 1,610 deliveries and 3,236 admissions for FY09

UTMB health care delivery models

- **UTMB Regional Maternal and Child Health Program** – 32 community-based clinics providing prenatal and well-child care to underserved families; served 110,000 women and children from 104 Texas counties last year (part of UTMB electronic medical record network)
- **St. Vincent's Clinic** – provides access to care for indigent patients in Galveston; students work with faculty mentors to run clinic, provide hands-on care and arrange for needed prescriptions
- **UTMB Community Health Program** – an integrated care and chronic disease management model serving ~500 high-risk, unsponsored patients
- **UTMB Multi-Share Program** – a collaborative initiative designed to help small businesses in Galveston County provide affordable health coverage to their employees
- UTMB provides **contracted health care services** for 29 Texas counties
- **UTMB Correctional Managed Care Program** – improves access to and quality of health care through integrated medical, dental and mental health delivery system, featuring vast telemedicine network, electronic medical record and proven treatment protocols
- **Teen Health Centers** – improve access to primary care and mental health services for Galveston County children through school-based clinics/telemedicine
- **Student Initiatives** - demonstrate how UTMB students take issues of access to heart and work to create solutions, even before they graduate; valuable learning experiences coupled with public service
 - **Frontera de Salud** - committed to bringing primary health care to the medically underserved
 - **Hands and Feet** - sponsored by Baptist Student Ministry; students and four faculty volunteers across a range of disciplines, including physical therapy and nursing, travel to border towns to deliver patient care

Telling Our Story

Preamble to Mission, Vision and Values

The University of Texas Medical Branch at Galveston's mission is to improve health for the people of Texas and around the world. UTMB is an inclusive, collaborative community of forward-thinking educators, scientists, clinicians, staff and students dedicated to a single purpose — improving health.

We prepare future health professionals for practice, public service and lifelong learning through innovative curricula and individualized educational experiences. We advance understanding and treatment of illness and injury through groundbreaking research, in the lab and at the bedside. We deliver skilled and patient-centered health care. And we continue to shape the future of health sciences education, research and clinical care by always asking, “What’s next?”

Telling Our Story

MISSION

UTMB's mission is to improve health for the people of Texas and around the world.

VISION

We work together to work wonders as we define the future of health care and strive to be the best in all of our endeavors.

VALUES

- Compassion
- Integrity
- Respect
- Diversity
- Lifelong Learning

Hurricane Ike Recovery

Hurricane Ike Recovery

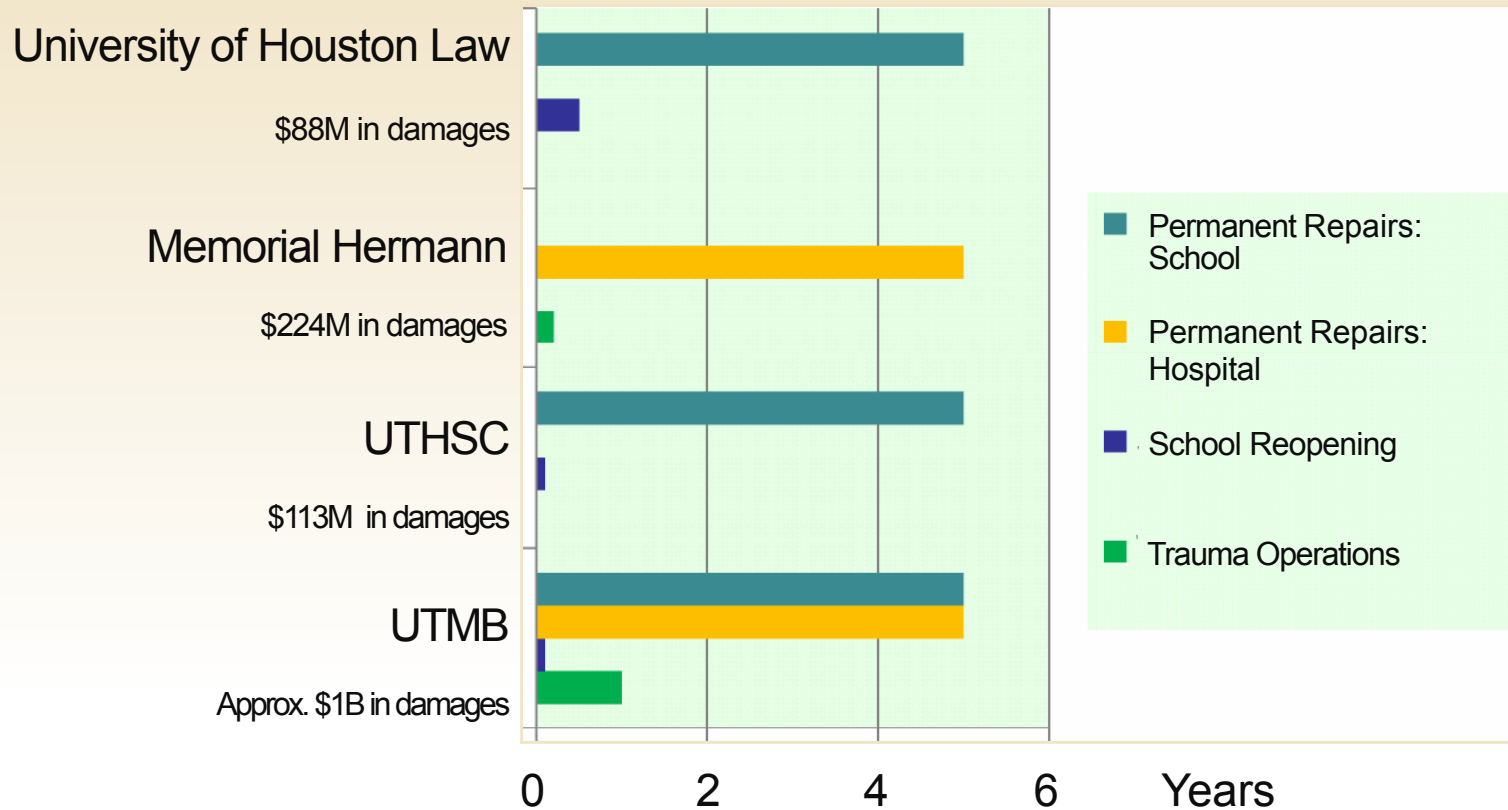
Progress since last session:

- Hospital up to 400 beds, as of Aug. 31, 2010 (reopened post-Ike Jan. 5, 2009, with 370 beds)
- ER reopened August 2009; functioning at Level I status; working to regain official Level I designation by Spring 2011
- McAllen Regional Maternal and Child Health Clinic reopened October 2009 (previously closed due to Ike-related financial losses)
- Shriners Burns Hospital for Children reopened November 4, 2009, per decision by Shriners of North America; UTMB faculty continue to staff facility and conduct their research, as before the storm
- Specialty Care Center at Victory Lakes opened in May 2010
- Enrollment has held steady or increased across all four schools; acceptances in School of Medicine have significantly increased
- More than 175 new faculty and university leaders recruited since Hurricane Ike
- GNL approved by CDC for full operation (began BSL4 operations Sept. 23, 2010)

University of Texas Medical Branch at Galveston ----- Hurricane IKE Response and Recovery

Activity	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Hurricane Ike, Sept 12,13,14 - 2008							
Normal utilities returned, Sept 22 - 29							
Emergency clean-up, debris removal & stabilization	\$100 M	\$15 M					
Students and Faculty returned							
In-Patient Beds & Emergency Room opened							
Alternate business locations opened on mainland							
Contents stored, cleaned, returned							
Damaged equipment inventoried and auctioned							
12 clinics constructed & opened							
Legislature approves rebuild appropriations							
Governor approves rebuild appropriations							
UT Board of Regents approve rebuild							
Texas Higher Ed. Coord. Board Approves rebuild							
Trauma center opened							
404 Mitigation grants prepared and submitted							
Updated Facilities plan presented to Regents							
Reviewed 57 proposals & retained design & eng firms							
Reviewed 42 proposals & retained constr mgmt companies							
Training of UT Architects, Engineers, & CM's							
Damage Validation of 100 + buildings submitted to FEMA							
Mitigation concepts developed and submitted to FEMA							
Infrastructure repairs & mitigation (\$544 M)	\$ 2 M	\$11.5M	\$83M	\$128M	\$125M	\$110M	\$84.5M
Healthcare repairs & mitigation (\$210 M)	\$ 2 M	\$ 9 M	\$32M	\$59 M	\$59M	\$49 M	0
Research repairs & mitigation (\$110 M)	\$ 2 M	\$ 6 M	\$20M	\$29 M	\$28 M	\$25 M	0
Academic / Business repairs & mitigation (\$100 M)	\$1.9M	\$ 9 M	\$24M	\$33 M	\$32.1M	0	0
404 Mitigation program activity (Est. at \$93 M)			\$18.6M	\$18.6M	\$18.6M	\$18.6M	\$18.6M
Estimated Ike Expenditures	\$107.9M	\$50.5M	\$177.6M	\$267.6M	\$262.7M	\$202.6M	\$103.1M

UTMB Ike Timeline vs. Tropical Storm Allison Timelines



Note: Once all construction is complete, UTMB estimates it would suffer \$25M-\$50M in damages in the event of another storm akin to Hurricane Ike — this is an insurable loss.

Graph Source: James Lee Witt Associates

Remaining Challenges

- Hurricane Ike damages more than preliminary estimate available during 81st Legislative Session
- Highly complex FEMA reimbursement model
- Need access to recovery funding to keep momentum



**Sample Project Worksheet:
1 project, 67 binders**

Ryan Micks in the Office of Health Policy and Legislative Affairs is 6'5."

Other Challenges

Correctional Managed Care (CMC) funding situation

- CMC important to academic missions of UTMB
 - Aging population
 - Chronic diseases driving up costs (hepatitis C, diabetes, cancer and HIV)
- Without intervention or additional financial support, losses currently estimated at \$65M-\$100M over biennium
- Implemented new streamlined staffing model to ensure highest quality of care, as well as in response to RN shortage
- Difficult cost-cutting measures are addressing a portion of the shortfall:
 - Reduction in force of ~296 positions across the state; adjustments to hours of operation and level of outpatient services at some units were also modified
 - Working closely with the TDCJ, UT System and state leadership to develop a more sustainable funding model for this endeavor

Other Challenges

Health Care Reform

- Affect on indigent care still not known
- Will require significant increase in health care work force to provide access to the care for newly covered patients
- **UTMB's Focus:**
 - Graduate more, inter-professionally trained providers
 - Continue developing new models of care to increase efficiency, reduce costs, improve outcomes
 - Take full advantage of new technology (e.g., information exchanges)
 - Strengthen collaborations (e.g., with Texas Medical Center/Greater Houston institutions)
 - Continue to educate and partner with policymakers

The Road Ahead

The Road Ahead

- Recruit and retain highest-quality faculty and staff
- Optimize use of Health System facilities
- Implement comprehensive enrollment plan
- Expand/modernize facilities, equipment and technology
- Manage financial health
- Strengthen public interface/awareness/relationships

HB 4586 UTMB Appropriation

SECTION 55. APPROPRIATIONS FOR GENERAL COSTS CAUSED BY NATURAL DISASTERS. (a) The following amounts are appropriated out of the general revenue fund to the following agencies and institutions of higher education for the two-year period beginning on the effective date of this Act for the purpose of paying for, or reimbursing payments made for, costs incurred by the agencies or institutions associated with damages or disruptions caused by natural disasters that occurred before the effective date of this Act during the state fiscal biennium that began September 1, 2007:

(1) UT Medical Branch at Galveston: \$150,000,000

(c) The amount appropriated by this section to UT Medical Branch at Galveston may be spent only to provide matching funds for FEMA qualifying projects, except that if that amount cannot be prudently and effectively spent in that manner, the remainder of the \$150,000,000 appropriation may be spent only with the prior written approval of the Legislative Budget Board.

Effective date: June 19, 2009

Appropriations Request Overview

- Access to full \$150M provided in HB 4586
- Continued legislative and executive commitment to recovery plan developed during 81st Session
- TRB debt service for new hospital tower (beginning FY 2012)
- Continued commitment for UTMB's base funding for education, research and health care

Exceptional Items

- **Carry-Forward of \$150M for Hurricane Ike recovery**
 - Essential that UTMB maintain the full \$150M in state funding to continue its complete recovery, secure its extensive physical assets, and ensure its viability as a major health care resource for Texas.
 - Hurricane Ike damages more than preliminary estimate available during 81st Legislative Session
 - Lengthy federal process
- **Protecting Texans from Emerging Infectious Diseases (\$18.8M)**
 - UTMB is an internationally recognized leader in research on infectious diseases, which exact heavy human and economic tolls every year. Exceptional Item funding will allow UTMB to recruit faculty for the Galveston National Laboratory, expand research, and increase training of current and future scientists in this important field.
- **Harnessing Multidisciplinary Clinical Expertise to Conquer Inflammation and Tissue Damage (\$18.3M)**
 - Exceptional Item funding will help UTMB build upon its world-renowned burns program. The reopening of the Shriners Hospital for Children in Galveston, coupled with the return of the famed Blocker Burn Unit in John Sealy Hospital, means this long-standing program of excellence remains a resource for the finest burns care, education and research.

Potential Impact of 10% GR Reduction

Strategies to reduce GR non-formula revenue by 10% equal approximately \$36M for 2012-2013 biennium on top of a reduction of \$31.4M for the 2010-2011 biennium. The reductions will greatly and adversely affect UTMB's ability to fulfill its core mission, jeopardizing UTMB's plans for strategic growth, putting its full restoration at risk, and negatively impacting mitigation efforts aimed at dramatically decreasing cost of repairs after any future storms:

- Estimated cost of Ike-related damages increased to nearly \$1B, from the \$667M used as a basis for 2010-2011 biennium funding
- UTMB absorbed requested 5% (\$31.4M) cut for the 2010-2011 biennium, despite the difficulties that reduction represented to an institution recovering from a major disaster
- UTMB must pay any necessary recovery-related expenses that cannot be reimbursed by FEMA, primarily because the agency covers only the depreciated value of damaged equipment and facilities
- Cuts to partner agencies could severely affect UTMB (e.g., in 2003, cuts elsewhere resulted in ~\$50M annual loss to UTMB)

Restoration of Formula Funding Related to ARRA

UTMB was appropriated \$6,745,161 of State Fiscal Stabilization Funds in SB1, Art. XII during the regular session of the 81st Legislature, in lieu of General Revenue.

Because these funds support core operations, and in light of other mandated budget reductions, UTMB respectfully requests restoration of the \$6,745,161 as part of its base GR funding for the 2012-13 biennium.

Formula Funding for Texas Health Care

Without this funding, UTMB and other health-related institutions cannot increase residency slots, which are critical to ensuring an adequate supply of physicians as the population of Texas grows and ages.

- Formula appropriations have not kept pace with increases in student enrollment
- Despite the need to increase enrollment to address critical health workforce shortages—and to increase faculty, space and research support to accommodate higher enrollment—we have fewer dollars per student compared to FY2000-2001
- UTMB supports increasing formula funding for GME as recommended by the Formula Advisory Committee, to help pay for employing GME faculty

Questions?

Appendix

- Categories of UTMB Repair and Mitigation Work Related to HB 4586: \$150M
- Recap of Key Dates
- Ike's Programmatic Impact (in brief)
- How UTMB has Organized Construction Work
- UTMB Process Flow Chart
- Typical Cash Flow for Project Worksheet
- How UTMB is using the \$50M SSBG Disaster Funding

Categories of UTMB Repair and Mitigation Work Related to HB 4586: \$150M

Repair and Mitigation Cost Estimates as of August, 2010*

	<u>FEMA Emergency Work</u>	<u>FEMA Permanent Work "Public Assistance" Repairs and Sec 406 Mitigation</u>	<u>FEMA Sec 404 Mitigation</u>	<u>Replacement costs beyond FEMA reimbursement</u>
Fed/State Match	100/0	90/10	75/25	0/100
FEMA Match Estimate	\$115M	\$738M	\$70M	\$0
State Match Estimate	\$0	\$82M	\$23M	\$84M
Cost Estimate as of 8/17/10*	\$115M	\$820M	\$93M	\$84M

*Estimates **after** application of \$60M insurance only
 Estimates will increase; not final as of 8/17/10

Recap of Key Dates

Sept. 13, 2008: Ike makes landfall, flooding over 1M square feet of first floor-space on UTMB campus. Entire infrastructure severely damaged by storm surge, electrical outages, failure of Galveston Island infrastructure. No damage to Galveston National Lab due to modern construction, back-up generators. All patients, students and non-essential staff evacuated a few days before landfall.

Oct. 2008: Classes resume; most students back on campus; clinical rotations for residents and 3rd- and 4th-year medical students continue through collaborative agreements with other Texas universities and hospitals. First post-Ike baby delivered.

Nov. 2008: UTMB/James Lee Witt Associates provide preliminary damage estimate of \$667M. Following further analysis, the damage estimate was closer to \$1B.

Jan. 2009: John Sealy Hospital reopens with reduced bed capacity. Research buildings back in normal operation.

May–June 2009: Legislature approves \$150M GR for UTMB Ike recovery in HB 4586. Provides \$50M one-time disaster SSBG funding for UTMB (used primarily for mainland clinic equipment, recovery costs not covered by FEMA, and operational costs related to case management and other services for Ike victims.) Also provides \$150M TRB authorization for construction of proposed new surgical tower to make return to pre-Ike bed capacity possible.

June 2009: Federal government informs Texas of 90/10 FEMA match rate for Public Assistance and Section 406 Mitigation projects. Section 404 Mitigation match remains 75/25.

Aug. 2009: Trauma Center in full operation; official Level 1 designation expected by April 2011.

Jan. 2010: UTMB notified by Comptroller's Office that, per agreement with LBB, \$90M of \$150M appropriation will lapse due to change in match rate for Public Assistance portion of FEMA funds, and that LBB approval will be required to access funds. Lapse reflected in USAS.

Sept. 2008 – June 2010 and beyond: UTMB engaged in intensive, ongoing work with FEMA, state, disaster recovery consultants, architectural and engineering firms, accounting firms, and contractors on clean-up, temporary repairs necessary for current operations, and Project Worksheet approval process for permanent mitigation and repair work.

Ike's Programmatic Impact (in brief)

- UTMB mainland clinics in Gulf Coast area continued operating without interruption and provided space for island-based UTMB clinic physicians to continue outpatient services uninterrupted
- UTMB Maternal and Child Health clinics located throughout East Texas and Gulf Coast continued serving patients without interruption. McAllen clinic closed due to financial losses caused by Ike; McAllen Maternal and Child Health Clinic reopened October 2009 (previously closed due to Ike-related financial losses)
- John Sealy Hospital closed; UTMB patients served in relocation hospitals --- primarily Austin's Seton Hospital during the evacuation; in HCA Mainland Hospital, HCA Clear Lake Regional Hospital, St. John Hospital and other Houston area hospitals after the storm
- John Sealy Hospital reopened 140 beds for mothers and newborns on Oct. 13, 2008
- On-campus classes for 1st- and 2nd- year medical students resumed Oct. 20, 2008
- John Sealy Hospital reopened Jan. 5, 2009: initial configuration of 200 full-service beds (including beds for TDCJ patients) with services for women, infants and children, medical/surgical and critical care, and acute care for the elderly
- Research buildings back in normal operation by Jan. 31, 2009. Pharmacology building and 1108 Strand building no longer suitable for research
- Clinical programs for 3rd- and 4th-year students continued through agreements with other Texas universities and health care facilities; all students returned to direct supervision by UTMB faculty by June 2009
- Shriners Burns Hospital for Children closed post-Ike; considered by the Shriners of North America for permanent closure due to financial challenges; facility reopened Nov. 4, 2009

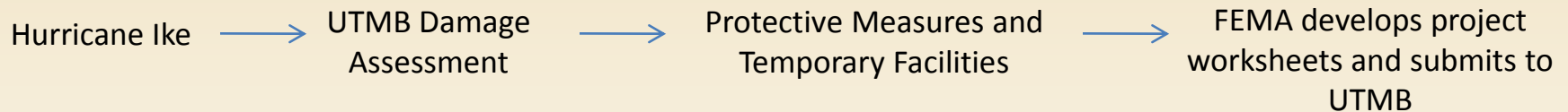
How UTMB has Organized Construction Work

UTMB has divided repair and mitigation work into four major groupings and selected a design/engineering firm and a construction management firm for each:

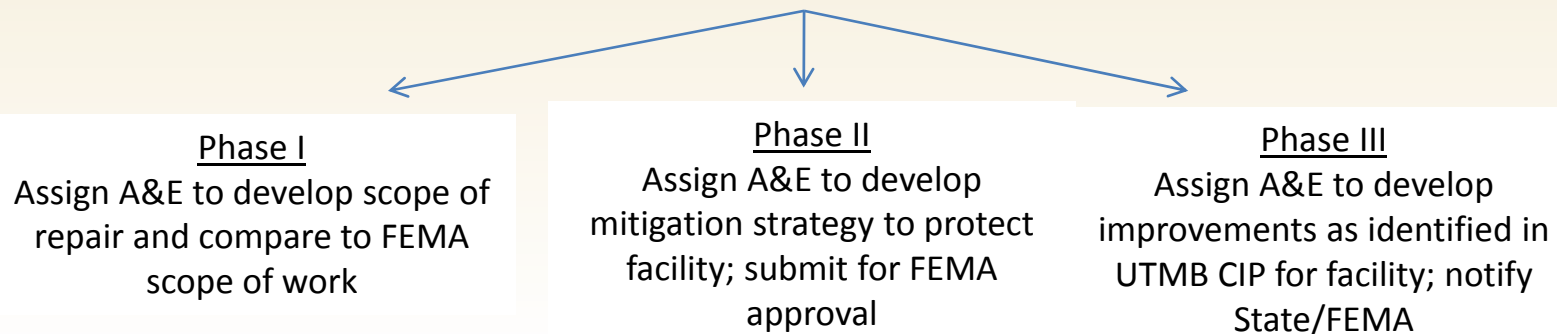
- **Health Care** – HDR Architecture, JT Vaughn Construction Company
- **Research** – Page Southerland Page, JT Vaughn Construction Company
- **Academic & Business** – SHW Group, Linbeck Group
- **Infrastructure** – Affiliated Engineers, Tellepsen Builders

UTMB Process Flow Chart

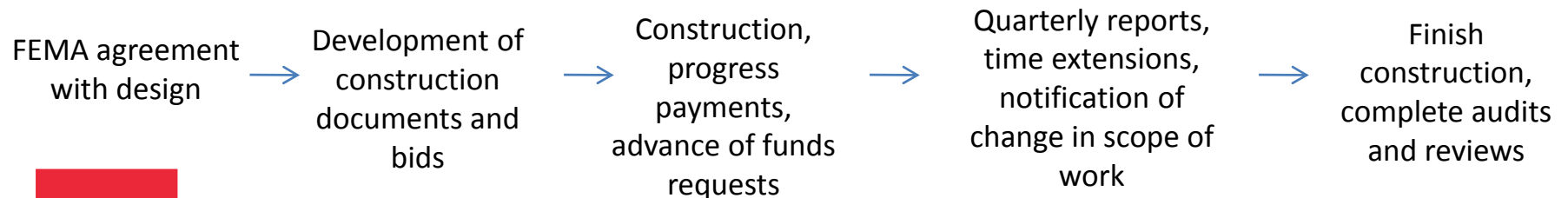
1. Initial Actions



2. UTMB/OFPC decision on repair for each facility, use of mitigation and improvements



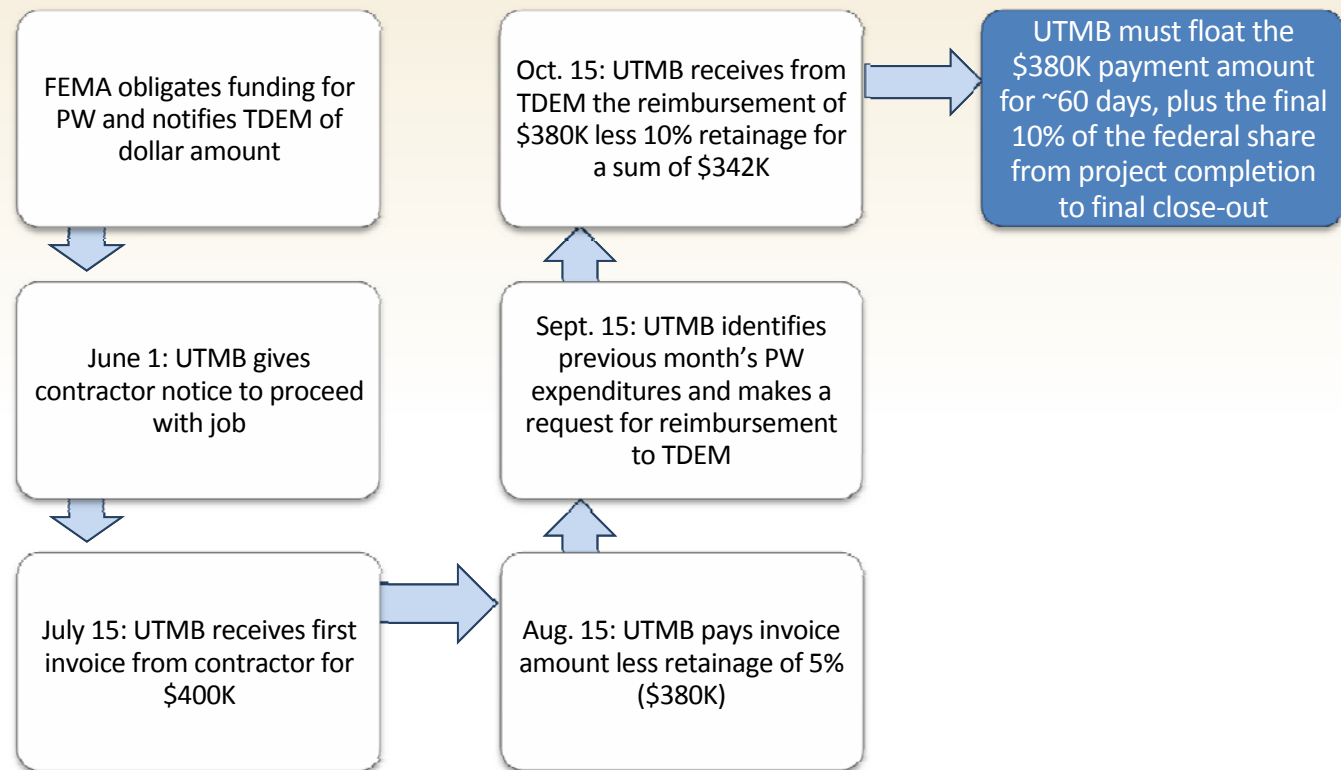
3. Construction and Grant Management



Typical Cash Flow for Project Worksheet

UTMB currently has 330-plus Project Worksheets involving construction at more than 80 campus buildings.

Sample Project Worksheet is written for building repairs that FEMA has valued at \$4M; FEMA has obligated this PW at \$2.5M after reductions for insurance and the 90/10 cost share for permanent work. With this obligation, the State (TDEM) has made the \$2.5M available for drawdown as expenses are incurred. UTMB has engaged a contractor to complete repairs:



How UTMB is using the \$50M SSBG Disaster Funding

SSBG funding is available for eligible projects and services that support UTMB's Hurricane Ike recovery efforts related to enhancing patient care and/or providing community benefit. These funds cannot be used for FEMA match. UTMB is working closely with HHSC on eligible projects; all funds must be spent by Sept. 30, 2010.

How UTMB is using the \$50M:

\$34.2M for capital expenses, including:

- Victory Lakes Specialty Care Center equipment
- Gulf coast mainland clinics equipment and capital start-up
- East and Southeast Texas Regional Maternal and Child Health clinics fetal monitoring equipment and ultrasounds

\$15.8M for operating expenses, including:

- H1N1 and seasonal flu preparation
- Health care provider recruitment and training
- Health care coordination for rural areas through East Texas AHEC
- Nursing case managers to serve Ike victims in Galveston charity clinics