



**AGENDA**  
for  
**U. T. BOARD OF REGENTS**  
**SPECIAL CALLED MEETING**  
and  
**HEALTH RETREAT**  
**December 9-10, 2004**  
**Governor's Room, 21st Floor**  
**The Westin Galleria Dallas**  
**13340 Dallas Parkway**  
**Dallas, Texas**

**December 9**

**Page**

**HEALTH RETREAT**

Introduction and welcome

*10:30 a.m.*  
*Chairman Huffines*

- A. Health Conversations: Crosscutting Themes  
Educating an adequately-sized and well-prepared health workforce  
Building Research Skills and Capacity  
The Challenges of Uncompensated Healthcare  
Enhancing Technology Transfer

*10:40 a.m.*  
*Executive Vice Chancellor Shine*

*Retreat background materials are on Pages 1-18 behind the Retreat tab*

- B. Health Workforce  
Shortage Areas  
Educational Innovation  
Multiprofessional Education  
Graduate Medical Education  
Dramatic Growth Funds/Nursing  
Distance Learning

*11:00 a.m.*  
*President Cigarroa, Chair - Nursing*  
*President Wildenthal - Physicians/ Allied Health*  
*President Willerson - Public Health*

Lunch

*12:00 – 12:30 p.m.*

- C. Health Care Issues  
Medically Indigent Care: Uninsured/Underinsured  
Correctional Health Care  
Rural Care  
Role of Public Health  
Prevention – vs – Therapy  
Underserved Populations  
Telemedicine

*12:30 p.m.*  
*President Stobo, Chair*  
*President Calhoun*  
*President Willerson*

- D. Research Capacity, Recruiting, Retention, and Clinical Trials  
Research Growth and Limitations  
Recruitment/Retention Challenges  
Collaborative Efforts - Obstacles and Opportunities  
Excellence Funds

*1:30 p.m.*  
*President Wildenthal, Chair*  
*President Calhoun*  
*President Mendelsohn*

E. Achieving Diversity – Outreach/Discussion of Programs and Opportunities  
Faculty Diversity  
Student Diversity  
Outreach Programs

2:30 p.m.  
*President Willerson, Chair*  
*President Cigarroa*  
*President Stobo*

F. Health/Academic Collaborations - Experiences  
Obstacles/Opportunities/Experiences  
Between Health Institutions  
Academic/Health Interaction

3:30 p.m.  
*President Calhoun, Chair*  
*President Cigarroa*  
*President Mendelsohn*

Recess

4:30 p.m.

Reception and Dinner at Clements Home

6:30 p.m. (*Transportation available at 6:00 p.m.*)

## **December 10**

### **HEALTH RETREAT**

A. Possible special report on Texas Academy of Medicine, Science, and Engineering

8:30 a.m.  
*The Honorable Kay Bailey Hutchison*

B. Continue Panel Discussion:  
Technology Transfer  
Success Stories  
Obstacles/Opportunities  
Potential Strategies

9:00 a.m.  
*President Mendelsohn, Chair*  
*President Wildenthal*  
*President Stobo*

C. Performance Target Discussion/The Role of Compacts  
General Discussion

10:00 a.m.  
*Executive Vice Chancellor Shine*

Concluding Comments and Adjourn Retreat

10:45 a.m.  
*Vice-Chairman Clements*

**SPECIAL CALLED BOARD MEETING**

11:00 a.m.

Page

A. CONVENE

*Chairman Huffines*

B. CONSIDER AGENDA ITEMS

1. **U. T. Board of Regents: Approval of revised Regents' Rules and Regulations**

*Assistant Secretary Martinez*

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2. **U. T. System: Approval of affiliation agreement with Texas Heart Institute**

*Executive Vice Chancellor Shine*

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C. RECESS TO EXECUTIVE SESSION (working lunch)

11:30 a.m.

1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Texas Government Code Section 551.071

a. **Discussion and appropriate action regarding legal issues related to disclosure of private investment information under the Texas Public Information Act including pending litigation related to such disclosure**

*Interim Vice Chancellor Collins  
Mr. David J. Beck, Beck,  
Redden & Secret, L.L.P.*

b. **U. T. System: Discussion of medical liability litigation**

12:15 p.m.  
*Interim Vice Chancellor Collins  
Ms. Melodie Krane*

- **U. T. Medical Branch – Galveston: Estate of Betty Jane Howard, et al. vs. Dr. Rayman Lee, et al.**

2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Texas Government Code Section 551.074

1:15 p.m.

a. **U. T. Dallas: Discussion and appropriate action regarding personnel matters related to the selection and employment of a president, including the possible naming of additional finalists for consideration**

*Executive Vice Chancellor Sullivan*

b. **U. T. System: Consideration of personnel matters relating to evaluation of presidents and U. T. System officers and employees**

c. **U. T. System: Consideration of personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents, U. T. System officers and employees**

- **Authorize Executive Vice Chancellor of Business Affairs and the Office of General Counsel to negotiate revised agreements with current participants in deferred compensation**

**plan pursuant to Section 457(f) of the Internal Revenue Code as necessary to comply with anticipated Internal Revenue Service guidelines regarding revised Section 409A of the Internal Revenue Code**

- D. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEM(S), IF ANY, AND ADJOURN

*2:30 p.m. approximately*

THE UNIVERSITY OF TEXAS BOARD OF REGENTS  
HEALTH RETREAT  
(Background Materials)  
December 2004

- 1 Table of Programs
- 2 Student Headcount (2003 and 2004);
- 3A Student Enrollment by Ethnicity (# and % -- 2004)
- 3B Student Enrollment by Ethnicity (% for 1997-2003)
- 4 Undergraduate Degrees Awarded
- 5 Graduate/Professional Degrees Awarded
- 6 Number of Medical Residents
- 7 Medical School Tuition Comparisons
- 8 Change in institutional budgeted expenditures by institution from 1995 to 2005
- 9 Where the money comes from (pie chart for FY 2005)
- 10 Where the money goes (pie chart for FY 2005)
- 11 Practice Plan Revenue
- 12 Unsponsored Charity Care
- 13 Research--total research expenditures
- 14 Research--research expenditures by institution
- 15 Private gifts and grants by institution from 1999 to 2003

# THE UNIVERSITY OF TEXAS SYSTEM HEALTH SCIENCE CENTERS PROGRAMS

|  | <u>UTSMC</u> | <u>UTMB</u> | <u>UTHSC-H</u> | <u>UTHSC-SA</u> | <u>UTMDACC</u> | <u>UTHC-T</u> |
|--|--------------|-------------|----------------|-----------------|----------------|---------------|
| Medical School                                     | X            | X           | X              | X               |                |               |
| Dental School                                      |              |             | X              | X               |                |               |
| Nursing School                                     |              | X           | X              | X               |                |               |
| School of Allied Health Sciences                   | X            | X           |                | X               | X              |               |
| School of Health Information Sciences              |              |             | X              |                 |                |               |
| Graduate School of Biomedical Sciences             | X            | X           | X              | X               | 4              | 5             |
| 3 School of Public Health (Four Regional Campuses) | 1            |             | X              | 1               |                | 7             |
| Hospital and Clinics (University-Owned)            |              | X           | 2              |                 | X              | X             |
| Clinic (University-Owned)                          | X            | X           | X              | X               | X              | X             |
| Correctional Health                                |              | 3           |                |                 |                |               |
| Regional Academic Health Center                    |              |             | X              | X               |                |               |
| Laredo Campus Extension                            |              |             |                | X               |                |               |
| School of Pharmacy                                 |              |             |                | 6               |                |               |

1=Branch Campus of School of Public Health, UTHSC-Houston (others are at UT Brownsville and UT El Paso)

2=Operates Harris County Psychiatric Center, funded by Department of Mental/Health Mental Retardation

3=Operates Correctional Hospital and manages along with Texas Tech University Health Sciences Center correctional health for Texas Department of Criminal Justice

4=In collaboration with UTHSC-Houston

5=Biotechnology Program and Occupational Health Sciences Program in collaboration with Stephen F. Austin University

6=Affiliation with the UT Austin School of Pharmacy

7=Affiliation with the Texas A&M School of Rural Public Health

## U.T. SYSTEM HEALTH COMPONENT INSTITUTIONS STUDENT HEADCOUNT

| INSTITUTION       |           | Certified<br>Fall 2003 | Preliminary<br>Fall 2004 | Change     | Percent<br>Change |
|-------------------|-----------|------------------------|--------------------------|------------|-------------------|
| UTSWMC-DALLAS     | Medical   | 867                    | 884                      | 17         | 1.96%             |
|                   | Academic  | <u>882</u>             | <u>1,399</u>             | <u>517</u> | 58.62%            |
|                   | Sub-Total | 1,749                  | 2,283                    | 534        | 30.53%            |
| UTMB-GALVESTON    | Medical   | 820                    | 827                      | 7          | 0.85%             |
|                   | Academic  | <u>1,239</u>           | <u>1,322</u>             | <u>83</u>  | 6.70%             |
|                   | Sub-Total | 2,059                  | 2,149                    | 90         | 4.37%             |
| UTHSC-HOUSTON     | Medical   | 816                    | 829                      | 13         | 1.59%             |
|                   | Dental    | 258                    | 256                      | -2         | -0.78%            |
|                   | Academic  | <u>2,331</u>           | <u>2,323</u>             | <u>-8</u>  | -0.34%            |
|                   | Sub-Total | 3,405                  | 3,408                    | 3          | 0.09%             |
| UTHSC-SAN ANTONIO | Medical   | 816                    | 817                      | 1          | 0.12%             |
|                   | Dental    | 348                    | 353                      | 5          | 1.44%             |
|                   | Academic  | <u>1,590</u>           | <u>1,675</u>             | <u>85</u>  | 5.35%             |
|                   | Sub-Total | 2,754                  | 2,845                    | 91         | 3.30%             |
| UTMDACC (1)       | Academic  | 75                     | 70                       | -5         | -6.67%            |

### SYSTEM HEALTH TOTAL

10,042

10,755

713

7.10%

(1) Figures do not reflect students educated by UTMDACC faculty as part of the UTHSC Houston Graduate School of Biomedical Sciences.

Source: Texas Higher Education Coordinating Board 9/30/04

Preliminary Fall 2004 Headcount Enrollment by Ethnicity  
Health Institution Totals

|                                | <u>White</u> | <u>Black</u> | <u>Hispanic</u> | <u>Asian</u> | <u>Indian</u> | <u>Internat'l</u> | <u>Unknown</u> | <u>Total</u> |
|--------------------------------|--------------|--------------|-----------------|--------------|---------------|-------------------|----------------|--------------|
| UT SOUTHWESTERN                | 1,022        | 104          | 173             | 356          | 9             | 520               | 99             | 2,283        |
| UT MEDICAL BRANCH GALVESTON    | 1,241        | 174          | 289             | 246          | 10            | 110               | 79             | 2,149        |
| UT HSC-HOUSTON                 | 1,860        | 198          | 409             | 440          | 18            | 392               | 91             | 3,408        |
| UT HSC-SAN ANTONIO             | 1,468        | 102          | 727             | 273          | 3             | 102               | 170            | 2,845        |
| UT M.D. ANDERSON CANCER CENTER | 40           | 5            | 9               | 11           | 0             | 2                 | 3              | 70           |
| TOTAL HEALTH INSTITUTIONS      | 5,631        | 583          | 1,607           | 1,326        | 40            | 1,126             | 442            | 10,755       |

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|                                | <u>White</u> | <u>Black</u> | <u>Hispanic</u> | <u>Asian</u> | <u>Indian</u> | <u>Internat'l</u> | <u>Unknown</u> | <u>Total</u> |
|--------------------------------|--------------|--------------|-----------------|--------------|---------------|-------------------|----------------|--------------|
| UT SOUTHWESTERN                | 44.8%        | 4.6%         | 7.6%            | 15.6%        | 0.4%          | 22.8%             | 4.3%           | 100.0%       |
| UT MEDICAL BRANCH GALVESTON    | 57.7%        | 8.1%         | 13.4%           | 11.4%        | 0.5%          | 5.1%              | 3.7%           | 100.0%       |
| UT HSC-HOUSTON                 | 54.6%        | 5.8%         | 12.0%           | 12.9%        | 0.5%          | 11.5%             | 2.7%           | 100.0%       |
| UT HSC-SAN ANTONIO             | 51.6%        | 3.6%         | 25.6%           | 9.6%         | 0.1%          | 3.6%              | 6.0%           | 100.0%       |
| UT M.D. ANDERSON CANCER CENTER | 57.1%        | 7.1%         | 12.9%           | 15.7%        | 0.0%          | 2.9%              | 4.3%           | 100.0%       |
| TOTAL HEALTH INSTITUTIONS      | 52.4%        | 5.4%         | 14.9%           | 12.3%        | 0.4%          | 10.5%             | 4.1%           | 100.0%       |

**The University of Texas System  
Total Fall Enrollment by Ethnicity - Health Institutions  
Percent Distribution**

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| Institution  | Year | White | African<br>American | Hispanic | Asian<br>American | American<br>Indian | Internat'l | Unknown |
|--------------|------|-------|---------------------|----------|-------------------|--------------------|------------|---------|
| UT           | 1997 | 66.2  | 3.6                 | 5.9      | 16.9              | 0.7                | 6.7        | 0.0     |
| Southwestern | 1999 | 64.5  | 4.7                 | 6.3      | 16.8              | 0.2                | 6.5        | 1.0     |
|              | 2001 | 56.1  | 5.1                 | 8.4      | 18.1              | 0.5                | 7.9        | 4.1     |
|              | 2003 | 52.9  | 4.9                 | 9.4      | 17.0              | 0.4                | 10.4       | 5.0     |
|              |      |       |                     |          |                   |                    |            |         |
| UTMB         | 1997 | 60.4  | 8.8                 | 14.9     | 11.0              | 0.6                | 4.2        | 0.0     |
| Galveston    | 1999 | 56.3  | 8.9                 | 17.4     | 12.4              | 0.3                | 4.1        | 0.6     |
|              | 2001 | 57.1  | 8.7                 | 15.7     | 11.7              | 0.6                | 4.2        | 2.2     |
|              | 2003 | 56.8  | 8.5                 | 15.1     | 11.2              | 0.7                | 4.7        | 3.0     |
|              |      |       |                     |          |                   |                    |            |         |
| UTHSC-       | 1997 | 60.5  | 6.0                 | 11.5     | 13.4              | 0.4                | 8.1        | 0.0     |
| Houston      | 1999 | 61.1  | 5.3                 | 10.4     | 13.7              | 0.6                | 8.9        | 0.1     |
|              | 2001 | 59.3  | 6.4                 | 11.6     | 13.1              | 0.5                | 8.4        | 0.8     |
|              | 2003 | 56.9  | 5.6                 | 12.5     | 13.2              | 0.5                | 8.8        | 2.6     |
|              |      |       |                     |          |                   |                    |            |         |
| UTHSC-       | 1997 | 63.4  | 3.3                 | 17.0     | 12.4              | 0.7                | 3.2        | 0.0     |
| San Antonio  | 1999 | 62.8  | 3.3                 | 19.6     | 10.1              | 0.6                | 3.5        | 0.2     |
|              | 2001 | 58.4  | 3.6                 | 23.9     | 7.5               | 0.4                | 3.8        | 2.3     |
|              | 2003 | 55.1  | 3.4                 | 26.2     | 8.3               | 0.7                | 3.9        | 2.4     |
|              |      |       |                     |          |                   |                    |            |         |
| UTMDACC*     | 2001 | 64.6  | 6.3                 | 2.1      | 20.8              | 2.1                | 2.1        | 2.1     |
|              | 2003 | 56.0  | 8.0                 | 9.3      | 18.7              | 0.0                | 0.0        | 8.0     |
| Health Total | 1997 | 62.3  | 5.5                 | 12.8     | 13.2              | 0.6                | 5.6        | 0.0     |
|              | 1999 | 61.1  | 5.4                 | 13.7     | 12.9              | 0.5                | 6.0        | 0.4     |
|              | 2001 | 58.1  | 5.9                 | 15.3     | 12.1              | 0.5                | 6.1        | 2.0     |
|              | 2003 | 55.7  | 5.5                 | 16.2     | 12.1              | 0.6                | 6.8        | 3.1     |

\* Data not available prior to 2000.

Source: THECB Reports

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**U. T. Health-Related Institutions**  
**Total Degrees and Certificates Conferred to Undergraduates**

|                                       |                 | 1998-1999                   | 1999-2000    | 2000-2001    | 2001-2002    | 2002-2003    |
|---------------------------------------|-----------------|-----------------------------|--------------|--------------|--------------|--------------|
|                                       |                 | <b>Certificates</b>         |              |              |              |              |
| UT Southwestern                       | Allied Health   | 4                           | 5            | 9            | 5            | 0            |
| UTHSC-Houston                         | Dental          | 31                          | 35           | 39           | 34           | 39           |
| UTHSC-San Antonio                     | Allied Health   | 54                          | 55           | 157          | 213          | 212          |
| UT MDACC                              | Health Sciences | 0                           | 0            | 26           | 34           | 32           |
|                                       | <b>Total</b>    | <b>89</b>                   | <b>95</b>    | <b>231</b>   | <b>286</b>   | <b>283</b>   |
|                                       |                 | <b>Baccalaureate Awards</b> |              |              |              |              |
| UT Southwestern                       | Allied Health   | 148                         | 103          | 106          | 104          | 70           |
| UTMB-Galveston                        | Allied Health   | 191                         | 212          | 141          | 95           | 38           |
|                                       | Nursing         | 148                         | 156          | 171          | 201          | 163          |
| UTHSC-Houston                         | Nursing         | 91                          | 91           | 97           | 116          | 127          |
| UTHSC-San Antonio                     | Allied Health   | 138                         | 143          | 131          | 42           | 64           |
|                                       | Nursing         | 243                         | 236          | 168          | 220          | 238          |
| UT MDACC                              | Health Sciences | 0                           | 0            | 13           | 10           | 20           |
|                                       | <b>Total</b>    | <b>959</b>                  | <b>941</b>   | <b>827</b>   | <b>788</b>   | <b>720</b>   |
| <b>Total Certificates and Degrees</b> |                 | <b>1,048</b>                | <b>1,036</b> | <b>1,058</b> | <b>1,074</b> | <b>1,003</b> |

*Source: Texas Higher Education Coordinating Board*

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**U. T. Health-Related Institutions**  
**Graduate and Professional Certificates and Degrees Awarded, by Level and School**

|                             |                             | 1998-1999    | 1999-2000    | 2000-2001    | 2001-2002    | 2002-2003    |
|-----------------------------|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>MASTER'S CERTIFICATE</b> |                             |              |              |              |              |              |
| UTHSC Houston               | Dental                      | 34           | 35           | 33           | 40           | 20           |
| UTHSC San Antonio           | Dental                      | 15           | 17           | 18           | 19           | 17           |
|                             | <b>TOTAL</b>                | <b>49</b>    | <b>52</b>    | <b>51</b>    | <b>59</b>    | <b>37</b>    |
| <b>MASTER'S</b>             |                             |              |              |              |              |              |
| UT Southwestern             | Allied Health               | 0            | 29           | 33           | 32           | 31           |
|                             | Biomedical Sciences         | 22           | 19           | 24           | 14           | 17           |
| UTMB Galveston              | Biomedical Sciences         | 13           | 13           | 19           | 24           | 19           |
|                             | Nursing                     | 61           | 31           | 46           | 21           | 37           |
|                             | Allied Health               | 36           | 35           | 36           | 37           | 74           |
| UTHSC Houston               | Biomedical Sciences         | 37           | 28           | 25           | 23           | 33           |
|                             | Nursing                     | 110          | 119          | 132          | 92           | 105          |
|                             | Health Information          | 0            | 3            | 15           | 12           | 8            |
|                             | Dental                      | 20           | 12           | 16           | 20           | 14           |
|                             | Public Health               | 123          | 116          | 115          | 123          | 119          |
|                             | Medical Acad                |              |              |              |              | 1            |
| UTHSC San Antonio           | Biomedical Sciences         | 25           | 25           | 18           | 20           | 30           |
|                             | Nursing                     | 42           | 46           | 56           | 46           | 31           |
|                             | Allied Health               | 29           | 37           | 33           | 48           | 50           |
|                             | <b>TOTAL</b>                | <b>518</b>   | <b>513</b>   | <b>568</b>   | <b>512</b>   | <b>569</b>   |
| <b>DOCTORAL</b>             |                             |              |              |              |              |              |
| UT Southwestern             | Biomedical Sciences         | 56           | 54           | 41           | 49           | 42           |
| UTMB Galveston              | Biomedical Sciences         | 39           | 36           | 32           | 35           | 33           |
| UTHSC Houston               | Biomedical Sciences         | 61           | 46           | 42           | 52           | 53           |
|                             | Nursing                     | 3            | 3            | 3            |              | 1            |
|                             | Health Information Sciences |              |              |              |              | 1            |
|                             | Public Health               | 28           | 26           | 32           | 31           | 28           |
| UTHSC San Antonio           | Biomedical                  | 31           | 27           | 37           | 26           | 30           |
|                             | <b>TOTAL</b>                | <b>218</b>   | <b>192</b>   | <b>187</b>   | <b>193</b>   | <b>188</b>   |
| <b>PROFESSIONAL</b>         |                             |              |              |              |              |              |
| UT Southwestern             | Medical                     | 194          | 184          | 203          | 201          | 189          |
| UTMB Galveston              | Medical                     | 202          | 184          | 183          | 194          | 181          |
| UTHSC Houston               | Medical                     | 195          | 201          | 186          | 214          | 185          |
|                             | Dental                      | 57           | 64           | 55           | 62           | 59           |
| UTHSC San Antonio           | Medical                     | 202          | 196          | 195          | 193          | 194          |
|                             | Dental                      | 89           | 90           | 86           | 84           | 95           |
|                             | <b>TOTAL</b>                | <b>939</b>   | <b>919</b>   | <b>908</b>   | <b>948</b>   | <b>903</b>   |
| <b>Health-Related Total</b> |                             | <b>1,724</b> | <b>1,676</b> | <b>1,714</b> | <b>1,712</b> | <b>1,697</b> |

Source: Texas Higher Education Coordinating Board

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**U. T. Health-Related Institutions  
Accredited Resident Programs and Residents**

|                   |  | <b>2002-2003</b> | <b>2003-2004</b> |
|-------------------|--|------------------|------------------|
| UT Southwestern   | Accredited resident programs               | 78               | 79               |
|                   | Number of residents in accredited programs | 1,149            | 1,210            |
| UTMB Galveston    | Accredited resident programs               | 52               | 54               |
|                   | Number of residents in accredited programs | 543              | 551              |
| UTHSC-Houston     | Accredited resident programs               | 53               | 52               |
|                   | Number of residents in accredited programs | 761              | 735              |
| UTHSC-San Antonio | Accredited resident programs               | 53               | 54               |
|                   | Number of residents in accredited programs | 700              | 648              |
| UTMDACC           | Accredited resident programs               | 12               | 14               |
|                   | Number of residents in accredited programs | 100              | 103              |
| UTHC-Tyler        | Accredited resident programs               | 2                | 2                |
|                   | Number of residents in accredited programs | 24               | 23               |

*Source: U.T. Health Related Institutions*

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**ANNUAL TUITION AND FEES  
AT U.T. SYSTEM MEDICAL SCHOOLS COMPARED TO U.S.**

|  | <b>School Year<br/>2003-04</b> | <b>School Year<br/>2004-05</b> | <b>%<br/>Change</b> |
|--|--------------------------------|--------------------------------|---------------------|
| UT Southwestern<br>Ave. Tuition & Fees<br>(Resident)           | \$8,860                        | \$9,630                        | 8.69%               |
| UTMB Galveston<br>Ave. Tuition & Fees<br>(Resident)            | \$8,125                        | \$9,160                        | 12.74%              |
| UT HSC Houston<br>Ave. Tuition & Fees<br>(Resident)            | \$9,862                        | \$10,648                       | 7.97%               |
| UT HSC San Antonio<br>Ave. Tuition & Fees<br>(Resident)        | \$9,325                        | \$10,388                       | 11.40%              |
| Private Schools in U.S.<br>Median Tuition & Fees<br>(Resident) | \$33,965                       |                                |                     |
| Public Schools in U.S.<br>Median Tuition & Fees<br>(Resident)  | \$16,332                       |                                |                     |

*Source: UT Health Related Institutions and Association of American Medical Colleges (January 2004)*

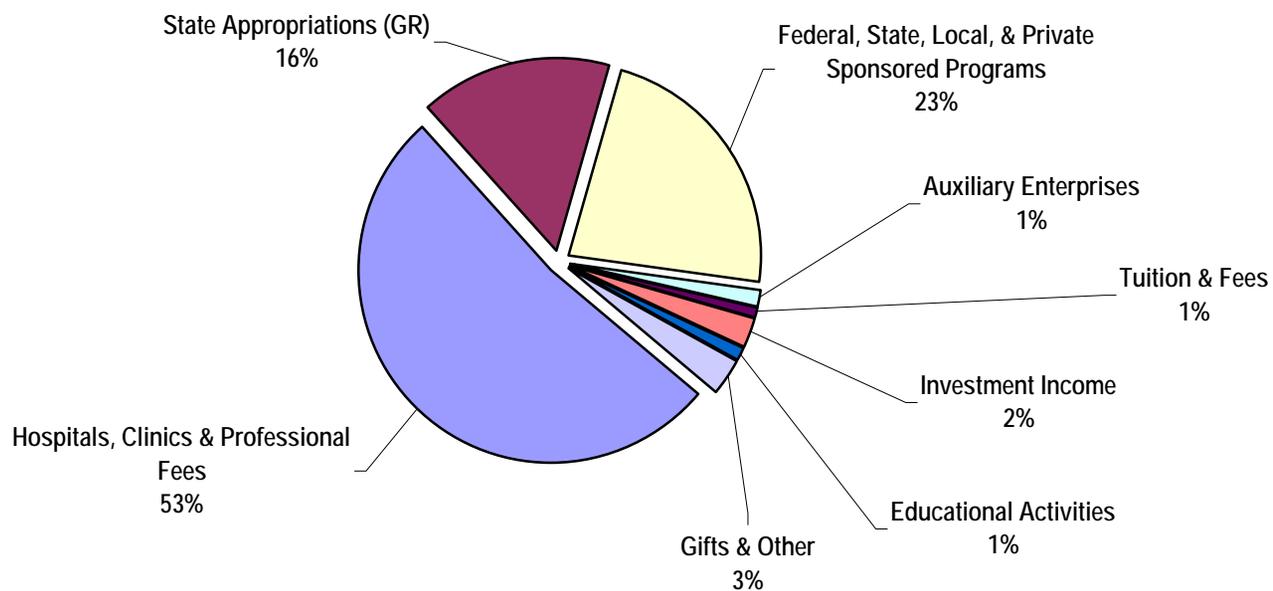
**THE UNIVERSITY OF TEXAS SYSTEM  
HEALTH INSTITUTIONS**

**INSTITUTIONAL BUDGETED EXPENDITURES**

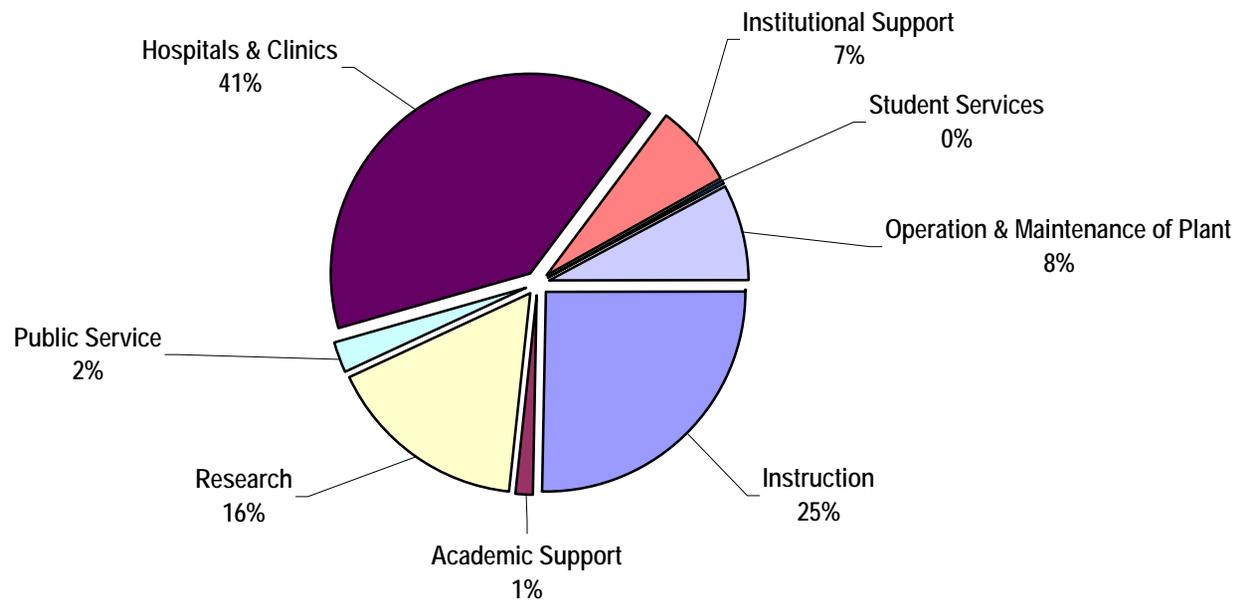
|                          | <b>FY 1995<br/>Adjusted<br/>Budget</b> | <b>FY 2000<br/>Adjusted<br/>Budget</b> | <b>FY 2005<br/>Operating<br/>Budget</b> | <b>FY 1995<br/>to FY 2000<br/>% Increase</b> | <b>FY 2000<br/>to FY 2005<br/>% Increase</b> | <b>FY 1995<br/>to FY 2005<br/>% Increase</b> |
|--------------------------|--|--|---|--|--|--|
| <b>UT Southwestern</b>   | \$415,248,972                          | \$555,591,308                          | \$892,419,978                           | 33.8%  | 60.6%  | 114.9%                                       |
| <b>UTMB Galveston</b>    | \$775,252,324                          | \$993,497,402                          | \$1,260,941,842                         | 28.2%  | 26.9%  | 62.6%  |
| <b>UTHSC-Houston</b>     | \$368,102,937                          | \$439,440,490                          | \$600,386,774                           | 19.4%  | 36.6%  | 63.1%  |
| <b>UTHSC-San Antonio</b> | \$259,477,659                          | \$340,771,922                          | \$470,595,434                           | 31.3%  | 38.1%  | 81.4%  |
| <b>UTMDACC</b>           | \$684,839,385                          | \$1,109,845,085                        | \$1,987,545,817                         | 62.1%  | 79.1%  | 190.2%                                       |
| <b>UTHC-Tyler</b>        | \$65,766,188                           | \$95,046,767                           | \$122,566,855                           | 44.5%  | 29.0%  | 86.4%  |
| <b>TOTAL</b>             | \$2,568,687,465                        | \$3,534,192,974                        | \$5,334,456,700                         | 37.6%  | 50.9%  | 107.7%                                       |

Source: U.T. System Operating Budget Summaries

# UT Health Institutions Where the Money Comes From (\$5.3 billion) FY 2005 Operating Budget



# UT Health Institutions Where the Money Goes (\$5.3 billion) FY 2005 Operating Budget



| <b>MSRDP (Practice Plan) Total Operating Revenues</b>   |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | <b>1999</b>          | <b>2000</b>          | <b>2001</b>          | <b>2002</b>          | <b>2003</b>          |
| UT Southwestern   | \$196,327,783        | \$223,521,308        | \$237,145,864        | \$255,681,646        | \$275,930,030        |
| UTMB Galveston  | 119,939,806          | 121,672,595          | 127,620,987          | 128,981,408          | 127,735,375          |
| UTHSC Houston   | 99,251,421           | 111,505,854          | 119,860,104          | 138,117,432          | 151,592,958          |
| UTHSC San Antonio   | 76,600,154           | 82,426,708           | 114,650,552          | 94,570,028           | 118,835,767          |
| UTMDACC   | 134,040,569          | 143,213,927          | 161,948,813          | 161,208,515          | 194,673,424          |
| UTHC Tyler  | 10,911,630           | 11,661,789           | 11,386,697           | 13,260,578           | 15,639,197           |
| <b>TOTAL</b>  | <b>\$637,071,363</b> | <b>\$694,002,181</b> | <b>\$772,613,017</b> | <b>\$791,819,607</b> | <b>\$884,406,751</b> |
| All data from Annual Financial Reports, Schedule D-6<br>Data for 1999, 2000 and 2001 referred to as "Total Revenue and Other Additions"<br>Data for 2002 and 2003 referred to as "Total Operating Revenues" |                      |                      |                      |                      |                      |

## Unsponsored Charity Care

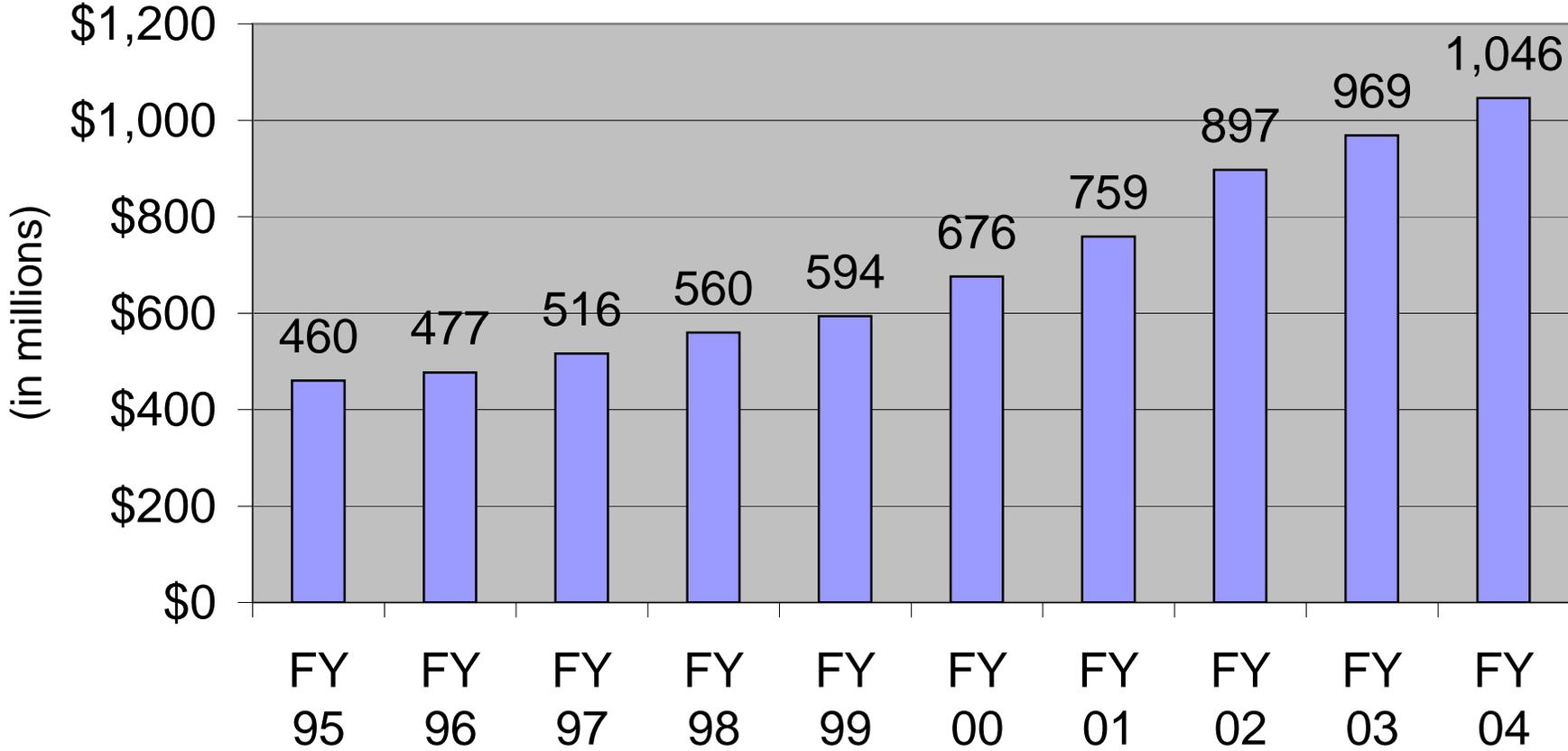
|  | 2002                 | 2003                 |
|--|----------------------|----------------------|
| <b>Practice Plans *</b>                            |                      |                      |
| UT Southwestern                                    | \$256,968,945        | \$281,998,363        |
| UTMB-Galveston                                     | 85,982,833           | 97,724,989           |
| UTHSC-Houston                                      | 103,279,853          | 107,326,617          |
| UTHSC-San Antonio                                  | 70,149,189           | 77,586,366           |
| UTMDACC  | 35,310,300           | 43,427,477           |
| UTHC-Tyler   | 5,405,720            | 6,814,083            |
| <b>TOTAL</b>                                       | <b>\$557,096,840</b> | <b>\$614,877,895</b> |
| * Data from Annual Financial Reports, Schedule D-6 |                      |                      |

|   |                      |                      |
|---|----------------------|----------------------|
| <b>Hospitals **</b>   |                      |                      |
| UTMB  | \$234,469,509        | \$306,513,077        |
| UTMDACC   | 113,592,294          | 143,955,098          |
| Harris County Psychiatric Center<br>(UTHSC Houston)               | 26,898,692           | 24,360,843           |
| UTHC-Tyler  | 18,850,919           | 14,448,608           |
| <b>TOTAL</b>  | <b>\$393,811,414</b> | <b>\$489,277,626</b> |
| ** Data for both years is from "Hospital Report Fiscal Year 2003" |                      |                      |

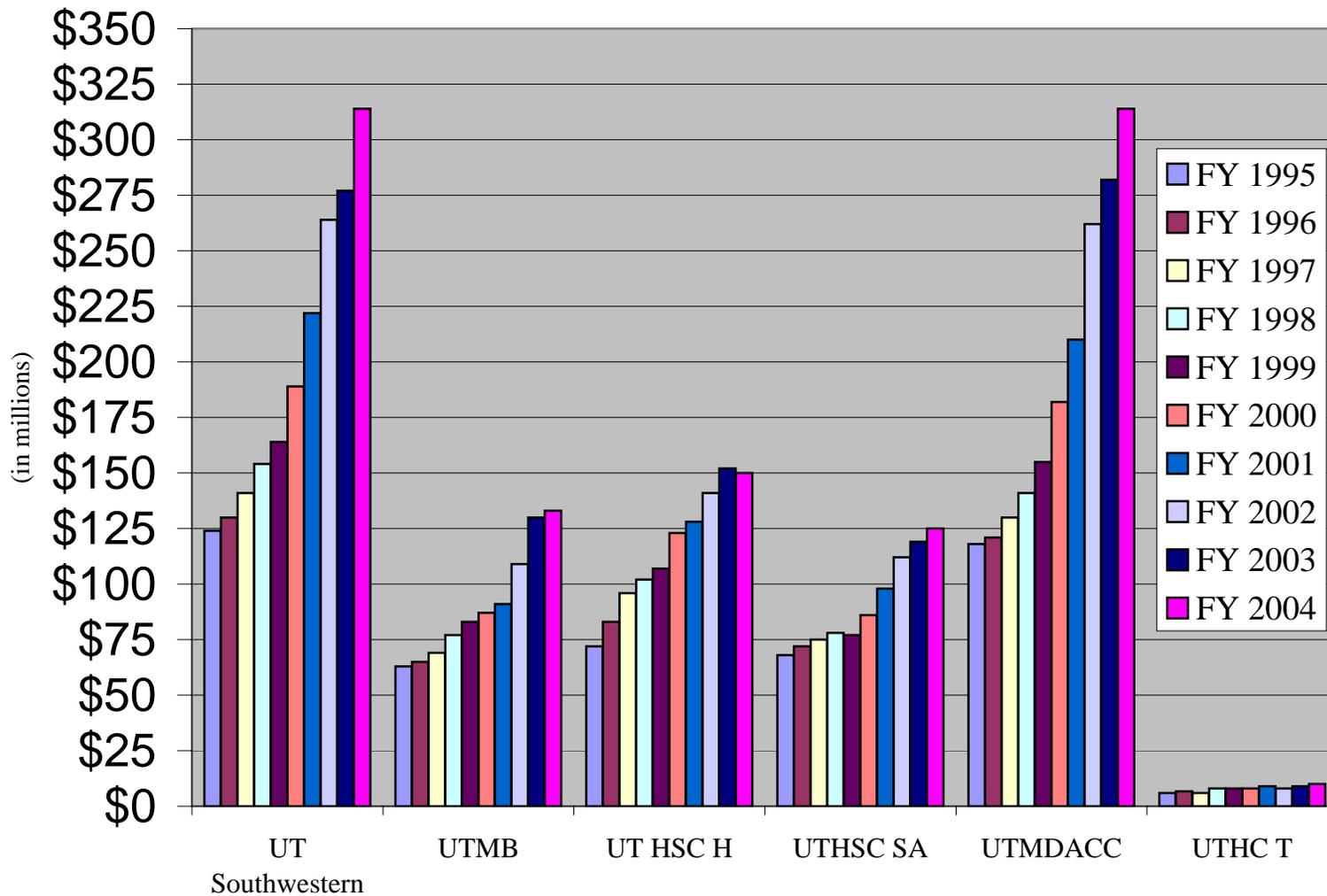
|                    |                      |                        |
|--------------------|----------------------|------------------------|
| <b>GRAND TOTAL</b> | <b>\$950,908,254</b> | <b>\$1,104,155,521</b> |
|--------------------|----------------------|------------------------|

Figures do not include unsponsored charity care provided by the dental clinics at UTHSC Houston and UTHSC San Antonio.

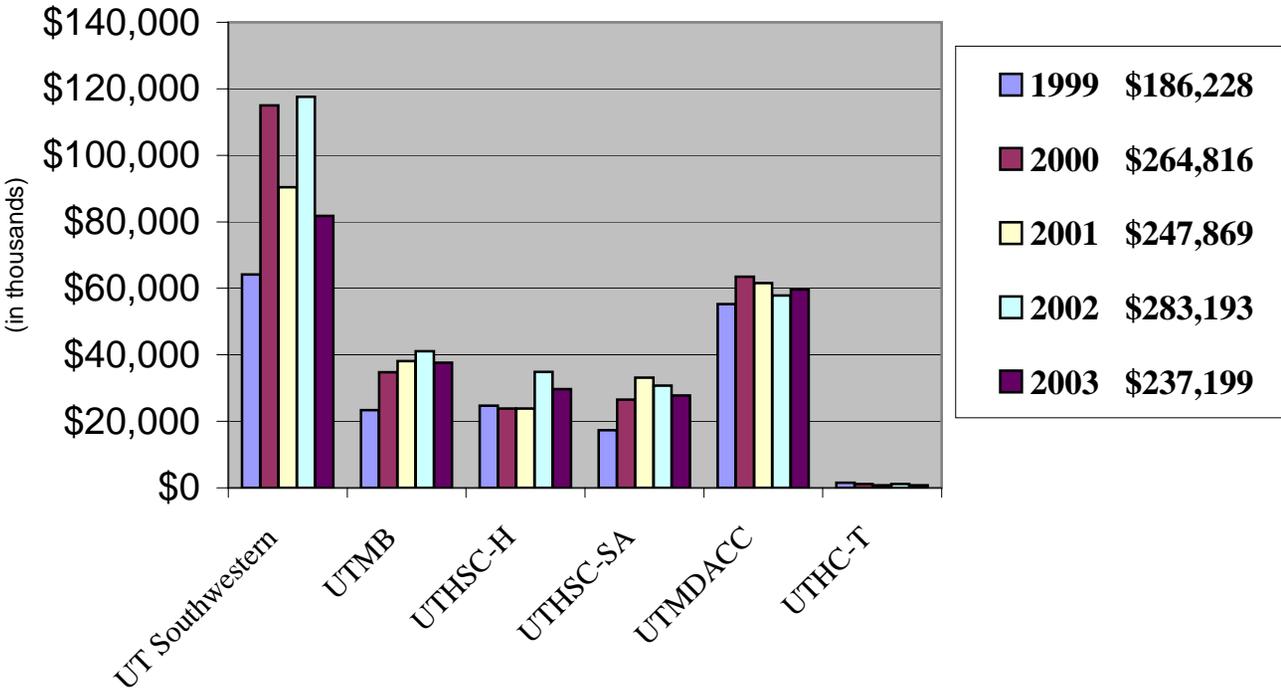
# UT System Health Institutions Total Research Expenditures 1995-2004



# UT System Health Institutions Research Expenditures



# UT System Health Institutions Private Gifts and Grants



Source: Council for Aid to Education Annual Survey FY 2003; UT System Office of the Comptroller

# Some doctors saying they're sorry

## Apologies, settlement offers seem to cut high costs of mistakes

By Lindsey Tanner

ASSOCIATED PRESS

CHICAGO — It's a lesson children learn even before their ABCs: Say you're sorry when you hurt someone. But it's now being taught in the grown-up world of medicine as a surprisingly powerful way to soothe patients and head off malpractice lawsuits.

Some malpractice reform advocates say an apology can help doctors avoid getting sued, especially when combined with an upfront settlement offer.

The idea defies a long tradition in which doctors cultivated a godlike image of infallibility and rarely owned up to their mistakes.

The softer approach, now appearing in some medical school courses and hospital policies, is drawing interest as national attention has turned to reducing medical errors and the high cost of malpractice insurance, which has been blamed for driving doctors out of business.

Doctors' often paternalistic relationship with patients is giving way to an understanding that "it's OK to tell the patient the whole story," said Dr. Paul Barach, an anesthesiologist and patient safety researcher at the

University of Miami. It is "a huge sea change as far as our relationships with patients."

The hospitals in the University of Michigan Health System have been encouraging doctors since 2002 to apologize for their mistakes. The system's annual attorney fees have since dropped from \$3 million to \$1 million, and malpractice lawsuits and notices of intent to sue

have fallen from 262 filed in 2001 to about 130 per year, said Rick Boothman, a former trial lawyer who launched the practice there.

Bob Vogt, a retired Cadillac dealership employee, said an apology might not have stopped him from suing over the misdiagnosis of a brain aneurysm in 1990 that he contends left his wife severely disabled. But it might have saved his relationship with the doctor, once a close friend, he said.

"If he had come forward and not tried to conceal the thing, I probably would have had a lot better feeling," Vogt said. "They have to be willing to step up to the plate and say, 'I made a mistake.'"

Dr. Michael Woods, a Colorado surgeon and author of "Healing Words: The Power of Apology in Medicine," said his own experience a decade ago illustrates the effect of the traditional way doctors have handled mistakes.

Woods was overseeing surgery to remove a patient's appendix. A medical resident accidentally punctured an artery, which led to a more extensive operation. The patient was unhappy with how Woods handled the aftermath; during one visit, Woods propped his feet up on the desk and, in her opinion, acted as if he didn't care.

Woods said he wanted to apologize, but legal advisers recommended breaking off contact with the patient when she threatened to sue.

Now a consultant to doctors and the malpractice insurance industry, Woods said his research has shown that being upset with a doctor's behavior often plays a bigger role than the error itself in patients' decisions

to sue.

The say-you're-sorry movement has been prompted in part by emerging evidence about the scope of medical errors. An Institute of Medicine report in 1999 said mistakes kill as many as 98,000 hospitalized Americans each year.

Supporters of the strategy want the Illinois Legislature to adopt a program called Sorry Works that recommends apologies and settlements when mistakes occur. Under the proposed pilot program, two Illinois hospitals would be recruited to see if the policy saves money.

Though the number of settlements would probably increase, lawsuits and sky-high jury awards would decrease, said Doug Wojcieszak, a public relations consultant whose victims' rights group proposed Sorry Works.

Apologies and upfront financial offers could mean the difference between settlements costing thousands of dollars and drawn-out malpractice lawsuits costing millions in lawyers' fees and jury awards, Wojcieszak said.

The idea for Sorry Works came from an honesty policy the Veterans Affairs hospital in Lexington, Ky., adopted in 1987 after two cases cost the hospital more than \$1.5 million.

Dr. Steve Kraman, then the hospital's chief of staff, said he helped create the policy as an alternative to the traditional "shut up and fight" strategy. Liability costs subsequently dropped below those of comparable VA hospitals, he said.

"Not only was it the right thing to do, but over the long haul, we were saving money by doing things this way," he said.

1. **U. T. Board of Regents: Approval of revised Regents' Rules and Regulations**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Counsel and Secretary to the Board of Regents and the Interim Vice Chancellor and General Counsel that the Board of Regents adopt the revised Regents' Rules and Regulations, as presented at the November 5, 2004 Board meeting, with the exception of the following three changes:

- Item No. 11 - concerning the elimination of a System-wide pay plan
- Item No. 12 - concerning the authority to approve Optional Retirement Program rates
- Item No. 28 - concerning the approval of insurance settlements

BACKGROUND INFORMATION

A chart summarizing the significant changes to the Rules, as included in the November Agenda Book, is attached on Pages 2 - 12.

The proposed revised Rules are also available on the Internet at <http://www.utsystem.edu/bor/regentsrules/>.

More information is being prepared on the three reserved items for possible further consideration by the Board at the February 2005 Board meeting.

**SUMMARY OF SIGNIFICANT CHANGES  
TO  
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

| No. | Citation – Current Rule           | Current Rule Requirement   | Substance of Change   | Citation – Proposed Rule                                    |
|-----|-----------------------------------|--|---|---|
| 1   | Part One, Chapter I, Section 7    | Lists the Executive Committee as one of the standing committees of the Board. The Executive Committee is composed of the Chairman, Vice-Chairmen of the Board and additional voting members appointed by the Chairman. | Eliminates the Executive Committee. The Committee was originally created as a means of taking Board action without convening in an open meeting, using what was referred to as an Executive Committee Letter process. Passage of the <u>Texas Open Meetings Act</u> prohibited the use of this process. | Regents' <u>Rule</u> , Series 10402                         |
| 2   | New Rule                          | Not Applicable   | Specifies what may be considered to be a disruption of a Board or Committee meeting and sets guidelines for the display of signs at meetings.   | Regents' <u>Rule</u> , Series 10403, Number 2, Section 7    |
| 3   | New Rule                          | Not Applicable   | Delegates the approval of all coaches' contracts with the exception of contracts with athletic directors and head coaches. This is not a change in policy but the delegation was covered in Docket guidelines only.   | Regents' <u>Rule</u> , Series 10501, Number 2, Section 4.12 |
| 4   | Part One, Chapter I, Section 9.23 | All contracts for consulting services for more than \$250,000 must be approved by the Board.   | Increased the dollar limit from \$250,000 to \$1,000,000, which is consistent with the limit for other contracts.   | Regents' <u>Rule</u> , Series 10501, Number 2, Section 3.1  |

2

**SUMMARY OF SIGNIFICANT CHANGES  
TO  
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

| No. | Citation – Current Rule               | Current Rule Requirement  | Substance of Change   | Citation – Proposed Rule                                    |
|-----|---------------------------------------|---|---|---|
| 5   | Part Two, Chapter XI, Section 2.2     | The Board delegates to the Executive Vice Chancellor for Business Affairs the authority to approve contracts for the benefit of all or a majority of the U. T. System institutions. | Changed to include contracts between any two institutions to streamline business operations.  | Regents' <u>Rule</u> , Series 10501, Number 2, Section 5.1  |
| 6   | Part One, Chapter II, Section 3.2(12) | This Section lists the Chancellor's responsibilities related to UTIMCO.   | Added the following sentence to the list of responsibilities:<br><i>Recommending to the Board of Regents, in its fiduciary role, an effective oversight system for the proper management of UTIMCO including, but not limited to clear procedures for the selection of UTIMCO directors; process for budget review; and periodic review of the Investment Management Services Agreement. (Consistent with Board action on 4/29/04.)</i> | Regents' <u>Rule</u> , Series 20101, Number 2, Section 3.13 |

3

**SUMMARY OF SIGNIFICANT CHANGES  
TO  
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

|   | <b>Citation – Current Rule</b>              | <b>Current Rule Requirement</b>  | <b>Substance of Change</b>  | <b>Citation – Proposed Rule</b>                            |
|---|---|--|---|--|
| 7 | Part One, Chapter II, Section 3.22          | The current statement regarding strategic planning is included in the Chancellor's duties: <i>Preparing for recommendation to the Board a strategic plan for The University of Texas System, revised periodically, setting forth recommendations for academic programs, capital expenditures, and the allocation of other financial resources.</i> | Changed the Section to read as follows: <i>Strategic Planning. Preparing a strategic plan for the U. T. System for recommendation to the Board of Regents in consultation with the institutional presidents. The proposed plan should include periodic adjustments to the mission statement; assessments of the internal and external environment; and recommendations for U. T. System goals, priorities, and benchmarks of progress in academic programs, service, capital expenditures, and the allocation of financial resources.</i> | Regents' <u>Rule</u> , Series 20101, Number 2, Section 3.2 |
| 8 | Part One, Chapter II, Sections 4 through 16 | These Sections list the job duties of the executive officers reporting to the Chancellor.  | Deleted these Sections to allow the Chancellor flexibility to assign duties without the need to amend the Regents' <i>Rules</i> .   | Not Applicable   |
| 9 | Part One, Chapter II, Section 18            | This Section recites membership on various advisory councils to the Chancellor such as the System Council and Business Management Council.   | Deleted this Section because it is not needed in the Regents' <i>Rules</i> .  | Not Applicable   |

**SUMMARY OF SIGNIFICANT CHANGES  
TO  
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

| No. | Citation – Current Rule             | Current Rule Requirement  | Substance of Change  | Citation – Proposed Rule   |
|-----|-------------------------------------|---|--|--|
| 10  | Part One, Chapter II, Section 20.1  | This Section requires the Chancellor and appropriate Executive Vice Chancellor to approve appointments of institutional vice presidents, deans, directors, and their equivalents.                   | Deleted the requirement that directors and their equivalents have to be approved by the Executive Vice Chancellor.   | Regents' <u>Rule</u> , Series 20102, Number 2, Section 1                             |
| 11  | Part Two, Chapter V, Section 1      | This Section mandates the existence of a System-wide classified pay plan.   | Eliminates the requirement of a System-wide pay plan and delegates to each institution the development of pay plans subject to minimum requirements set by the U. T. System. | Regents' <u>Rule</u> , Series 30101<br><br><u>Administrative Rule</u> , Series 30113 |
| 12  | New Rule                            | Not Applicable  | The Board delegates to the Chancellor the authority to approve the Optional Retirement Program rates recommended each year that are submitted by every institution.          | Regents' <u>Rule</u> , Series 30202, Number 2, Section 1.1                           |
| 13  | Part One, Chapter III, Section 34.4 | If a faculty, staff, or student organization fails to update required information within 10 days after being notified of the deficiency, the organization's registration <u>shall</u> be cancelled. | Added provision for an extension of the deadline if good cause is shown.   | Regents' <u>Rule</u> , Series 40201  |
| 14  | Part One, Chapter VII, Section 1.3  | Gifts having a value of more than \$500,000 and not administered by the Office of External Relations must be approved by the Board of Regents.  | Changed the dollar limit from \$500,000 to \$1,000,000, which is consistent with other delegated authority.  | Regents' <u>Rule</u> , Series 60101, Number 2, Section 2                             |

5

**SUMMARY OF SIGNIFICANT CHANGES  
TO  
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

| No. | Citation – Current Rule             | Current Rule Requirement  | Substance of Change   | Citation – Proposed Rule                                   |
|-----|-------------------------------------|---|---|--|
| 15  | Part One, Chapter VII, Section 3.1  | This Section states that: <i>No endowment will be established or announced without prior approval by the Board. Also, no negotiations or commitments implying the establishment of the endowment of an academic position will be undertaken by any faculty member or officer of the component institution until the proposal has been formally approved by the president.</i> | Eliminated and replaced with the following: <i>Negotiations and fund raising for an endowment are permitted prior to its formal approval and establishment by the Board or its designee. However, the establishment of an endowment will not be announced prior to its formal approval.</i> | Regents' <u>Rule</u> , Series 60202, Number 2, Section 1   |
| 16  | Part One, Chapter VII, Section 5.43 | This Section states that all activities of development boards and internal foundations must be coordinated through the office of the president and the director of the institution's development board.   | Eliminated this requirement as it is redundant because the president of the institution has express authority over these boards and foundations.  | Regents' <u>Rule</u> , Series 60301, Number 2, Section 4.2 |
| 17  | Part One, Chapter VII, Section 5.6  | This Section states that an ex-students' association will not participate in any organized fund-raising effort without consulting with the president and the Chancellor and receiving the approval of the Board of Regents.   | Changed to confirm the actual practice requiring only approval from the president and the Chancellor.   | Regents' <u>Rule</u> , Series 60301, Number 2, Section 6   |

9

**SUMMARY OF SIGNIFICANT CHANGES  
TO  
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

| No. | Citation – Current Rule           | Current Rule Requirement  | Substance of Change  | Citation – Proposed Rule                                    |
|-----|-----------------------------------|---|--|---|
| 18  | Part One, Chapter VI, Section 6.6 | This Section prohibits solicitation on campus unless permitted by a specific exception. | Added the following additional exception to the solicitation prohibition to provide information on employee benefits to enhance employee recruitment and retention:<br><i>Employee Discount Programs. The distribution or presentation to employees of the U. T. System and any of its institutions of material related to products and services offered by companies that provide employee discount programs, merchandise membership programs, credit union and banking programs, or other benefits that are available to such officers and employees through discount plans or programs approved by the U. T. System or any of its institutions. (continued on next page.)</i> | Regents' <u>Rule</u> , Series 80103, Number 2, Section 2.17 |

7

**SUMMARY OF SIGNIFICANT CHANGES  
TO  
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

| No. | Citation – Current Rule             | Current Rule Requirement   | Substance of Change   | Citation – Proposed Rule                                       |
|-----|-------------------------------------|--|---|--|
| 18  |                                     |  | <p>(continued from prior page)<br/> <i>Such material may be distributed or presented by the Office of Human Resources of the U. T. System or any of its institutions, with the approval of the institution's president, and placed on institutional Web pages for the purpose of providing education, product and service information, and participant enrollment, in accordance with guidelines promulgated by the Executive Vice Chancellor for Business Affairs.</i></p> |  |
| 19  | Part Two, Chapter VIII, Section 2.3 | <p>Inclusion of a project in the Capital Improvement Program provides authority to expend up to 3% of the anticipated preliminary project cost to develop preliminary project plans. Requests for expenditures greater than 3% and up to 10% shall be reviewed and approved by the Chancellor.</p> | <p>This is currently delegated by the Chancellor to the Executive Vice Chancellor for Business Affairs. While the Executive Vice Chancellor for Business Affairs would continue to monitor the contracts, this would allow the delegation of authority to the Assistant Vice Chancellor for Facilities Planning and Construction.</p>   | <p>Regents' <u>Rule</u>, Series 80301, Number 2, Section 4</p> |

**SUMMARY OF SIGNIFICANT CHANGES  
TO  
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

| No. | Citation – Current Rule              | Current Rule Requirement  | Substance of Change   | Citation – Proposed Rule                                 |
|-----|--------------------------------------|---|---|--|
| 20  | Part Two, Chapter VIII, Section 1.5  | Unexpected naming opportunities of buildings not covered in the annual report shall be reviewed and approved in advance of negotiations with potential donors.  | Changed so the approval to negotiate may come from either the Chairman of the Board or the Chairman of the Facilities Planning and Construction Committee.  | Regents' <u>Rule</u> , Series 80307, Section 5           |
| 21  | Part Two, Chapter VIII, Section 1.6  | Non-honorific renaming and re-designation of projects in the Capital Improvement Program shall be reviewed and approved by the Chancellor.  | Changed so the approval may come from the Assistant Vice Chancellor for Facilities Planning and Construction who is most familiar with the specific facts of a request.   | Regents' <u>Rule</u> , Series 80307, Number 2, Section 6 |
| 22  | Part Two, Chapter VIII, Section 4.11 | The Chancellor, with the advice of the appropriate Executive Vice Chancellor and the institutional president, is authorized to appoint architects for all new construction and major repair and rehabilitation projects authorized by the Board in the Capital Improvement Program. | Changed so the approval may come from the Assistant Vice Chancellor for Facilities Planning and Construction who is most familiar with the specific situation and the project details. This authority is currently delegated by the Chancellor to the Executive Vice Chancellor for Business Affairs. | Regents' <u>Rule</u> , Series 80402, Number 2, Section 1 |

6

**SUMMARY OF SIGNIFICANT CHANGES  
TO  
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

| No. | Citation – Current Rule              | Current Rule Requirement  | Substance of Change   | Citation – Proposed Rule                                  |
|-----|--------------------------------------|---|---|---|
| 23  | Part Two, Chapter VIII, Section 4.22 | The facility program for a major construction project must be approved by the Chancellor.   | Changed so the approval may come from the institution's president who is most familiar with the specific situation and the project details. The president can also review it with regard to the respective Campus Master Plan and programmatic needs.                                       | Regents' <u>Rule</u> , Series 80402, Number 2, Section 7  |
| 24  | Part Two, Chapter VIII, Section 4.24 | After approval of the facility program for a major construction project, the Chancellor is authorized to give the project architect, engineer, or design-build contractor the facility program and the Campus Master Plan and to direct the preparation of schematic plans, exterior design, site plans, cost estimates, and other necessary documents. | Changed so the approval can come from the Assistant Vice Chancellor for Facilities Planning and Construction who is most familiar with the specific situation and the project details. This is currently delegated by the Chancellor to the Executive Vice Chancellor for Business Affairs. | Regents' <u>Rule</u> , Series 80402, Number 2, Section 9  |
| 25  | Part Two, Chapter VIII, Section 4.25 | The Executive Officers and presidents shall be responsible for identifying to the Chancellor architecturally or historically significant major repair and rehabilitation projects.  | In practice this is handled by the Facilities Planning and Construction Committee (FPCC) and its Chairman in consultation with the institution's president. Therefore, the revised <i>Rule</i> substitutes the FPCC and its Chairman for the Chancellor.                                    | Regents' <u>Rule</u> , Series 80402, Number 2, Section 11 |

**SUMMARY OF SIGNIFICANT CHANGES  
TO  
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

| No. | Citation – Current Rule              | Current Rule Requirement  | Substance of Change  | Citation – Proposed Rule                                  |
|-----|--------------------------------------|---|--|---|
| 26  | Part Two, Chapter VIII, Section 4.27 | After approval of the Design Development Plans, the Chancellor is authorized to direct the preparation of the working drawings and specifications.  | Substituted the Assistant Vice Chancellor for Facilities Planning and Construction for the Chancellor because the Assistant Vice Chancellor is most familiar with the specific situation and the project details. This is currently delegated by the Chancellor to the Executive Vice Chancellor for Business Affairs. | Regents' <u>Rule</u> , Series 80402, Number 2, Section 12 |
| 27  | Part Two, Chapter VII, Section 3.2   | The terms of any insurance policies, other than life, disability and health shall be negotiated by the Director of Risk Management. The purchase or renewal of policies with premiums in excess of \$100,000 shall be approved by the Vice Chancellor for Business Affairs. | Increased the dollar limit from \$100,000 to \$500,000 to streamline business and administrative operations.   | Regents' <u>Rule</u> , Series 80601, Number 2, Section 1  |
| 28  | Part Two, Chapter VII, Section 3.3   | (Insurance) Settlements over \$500,000 and up to \$1,000,000 shall be approved by the Vice Chancellor for Business Affairs and shall be reported to the Board for ratification. Settlements in excess of \$1,000,000 must have the approval of the Board.                   | Changed so that only settlements in excess of \$1,000,000 require approval by the Board to be consistent with the limit on contracts that have to be approved by the Board.  | Regents' <u>Rule</u> , Series 80601, Number 2, Section 2  |

**SUMMARY OF SIGNIFICANT CHANGES  
TO  
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

| No. | Citation – Current Rule             | Current Rule Requirement   | Substance of Change   | Citation – Proposed Rule                                  |
|-----|-------------------------------------|--|---|---|
| 29  | Part Two, Chapter VII, Section 3.4  | In the case of a catastrophic occurrence where the loss is so extensive that partial payments in excess of \$1,000,000 are necessary, the Chancellor is delegated authority to execute all documents related to the partial payment or adjustment. The Board will be notified by the Chancellor of all partial payments received in excess of \$500,000. Final settlement of claims in excess of \$1,000,000 will require approval from the Board. | Changed so that only partial payments in excess of \$1,000,000 must be reported to the Board to be consistent with the limit on contracts that have to be approved by the Board.  | Regents' <u>Rule</u> , Series 80601, Number 2, Section 3  |
| 30  | Part Two, Chapter XII, Section 4.22 | If a president elects not to assert and exploit System's interest in intellectual property, the Office of General Counsel and the creator shall be notified within 180 days of the date of a complete submission that the invention will be released to the creator of the invention ...   | Changed so that the creator is notified within 30 days after a decision is made. The rule now reads: <i>If the institution's president elects not to assert and exploit U. T. System's interest, the Office of General Counsel and the creator shall be notified within 30 days after a decision is made to assert ownership rights that the invention will be released to the creator.</i> | Regents <u>Rule</u> , Series 90102, Number 2, Section 2.2 |

## **2. U. T. System: Approval of Affiliation Agreement with Texas Heart Institute**

### **RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Interim Vice Chancellor and General Counsel that authorization be granted by the U. T. Board of Regents, for the Executive Vice Chancellor for Health Affairs, with approval by the Office of General Counsel, to complete the negotiation and to execute an affiliation agreement between the U. T. System Administration and the Texas Heart Institute, Houston, Texas, substantially in the form attached on Pages 15 - 26.

### **BACKGROUND INFORMATION**

The Texas Heart Institute (THI) was established in 1962 in Houston, Texas, as a research and educational institution for cardiovascular disease. The THI is recognized as a worldwide leader in research and education related to cardiovascular disease. In partnership with St. Luke's Episcopal Hospital, the THI has established itself as a leader in the treatment of cardiovascular disease.

The University of Texas System Administration and the THI desire to enter into this Agreement to express their common interest in research and education relating to cardiovascular disease by joining in the recruitment of world-class scientists and cardiac specialists and to expand cardiovascular research opportunities at the Texas Heart Institute.

The purpose of the affiliation agreement is to establish a new collaborative effort to be named "The Texas Heart Institute, affiliated with The University of Texas in Research and Education" for the public purpose of furthering research and education in cardiovascular disease. Dr. James Willerson has been named President-Elect of the Texas Heart Institute with written approval of the Executive Vice Chancellor for Health Affairs.

The significant terms of the proposed agreement are as follows:

- a. Seven year term with renewal for two more years.
- b. U. T. System Administration, with the assistance of U. T. Health Science Center - Houston, shall upon request, help the THI recruit scientists, including physicians, to the research and education staff of U. T. Health Science Center - Houston.

- c. U. T. System Administration, with the assistance of U. T. Health Science Center - Houston, shall participate in the fundraising activities of the THI for research and education programs that are mutually beneficial to each of the parties.
- d. U. T. System Administration, with the assistance of U. T. Health Science Center - Houston, shall upon request, provide technical, financial, and administrative expertise to the THI.
- e. There are 30 authorized members of the THI Board of Trustees, including one "Founding Trustee", three "Special Trustees" and 26 "Other Trustees". At least 6 of the 26 "Other Trustees" shall be designated annually by the Executive Vice Chancellor for Health Affairs as representing U. T. System Administration interests, although as Trustees they are also entrusted with THI interests. To avoid displacing current Trustees or immediately increasing the size of the Board, initially two new Trustees will be designated by System Administration and four others will be designated from existing members. Following the 2006 annual election, the Other Trustees would thereafter always include at least six persons who at the date of initial election to the THI board were designated by System Administration.
- f. THI shall have no control of the Available University Fund, the Permanent University Fund or any funds appropriated to the U. T. System or its institutions.
- g. THI may continue its current affiliation with St. Luke's Episcopal Hospital and may continue to allow the THI professional medical staff to include physicians/scientists from the Baylor College of Medicine.
- h. THI will provide the Executive Vice Chancellor for Health Affairs with an annual report, including audited financial statements, and a report of fundraising and recruitment efforts. At least every three years a peer review will be conducted to review research activities. A written report of the peer review will be provided to the Executive Vice Chancellor for Health Affairs.

DRAFT

AFFILIATION AGREEMENT

This Affiliation Agreement (“Agreement”), effective the \_\_\_\_\_ day of \_\_\_\_\_, 2004 is made and entered into by and between the Texas Heart Institute, hereinafter “THI”, a nonprofit corporation organized under the laws of the State of Texas and located in Houston, Harris County, Texas and The University of Texas System, hereinafter “System Administration”, a governmental unit.

I. PREAMBLE

The Texas Heart Institute was established in 1962 as a research and educational institution for cardiovascular disease. The THI is recognized as a worldwide leader in research and education related to cardiovascular disease, a primary cause of premature death in our society. In partnership with St. Luke’s Episcopal Hospital, the THI has established itself as a leader in the treatment of cardiovascular disease.

The University of Texas System operates six health institutions with a focus on education, research and patient care. Within the System's six health institutions, there are four medical schools, two dental schools, and three nursing schools, as well as schools of allied health science, biomedical sciences, health information sciences, and public health. Patient care is provided through hospitals and clinics that are of central importance to programs of teaching, scholarship, research, and service associated with medicine and related health sciences.

The University of Texas System Administration and the Texas Heart Institute desire to enter into this Agreement to express their common interest in research and education relating to cardiovascular disease by joining in the recruitment of world-class scientists and cardiac specialists and to expand cardiovascular research opportunities at the Texas Heart Institute.

## II. PURPOSE

The purpose of this Agreement is to establish a new collaborative effort to be named “The Texas Heart Institute, affiliated with The University of Texas in Research and Education”, hereinafter “THI/UT” for the purpose of furthering research and education in cardiovascular disease. Patient care activities shall not be provided through or under this Agreement. This Agreement shall not prevent or preclude the THI from fulfilling its current commitments to St. Luke’s Episcopal Hospital in Houston, Texas, nor does it preclude individuals from other institutions, including the Baylor College of Medicine, from being members of the professional staff of the THI and engaging in collaborative research and educational activities with THI. This Agreement shall not preclude the System Administration, U. T. institutions, or the THI from engaging in any other collaborative research, education and patient care activities.

The collaborative effort established under this Agreement is determined to serve a public purpose.

In consideration of the foregoing promises and of the covenants made hereinafter, the parties hereto agree to the following provisions:

### III. TERM AND TERMINATION

The primary term of this Agreement is for a seven (7) year period beginning \_\_\_\_\_ and ending \_\_\_\_\_, except either party may terminate this Agreement at any time with 90 days written notice to the other by delivering such notice as indicated in Section VII below. Upon expiration of the primary term, the agreement shall automatically renew for an additional two year term, during which either party may terminate this Agreement at any time for any reason with 90 days written notice to the other by delivering such notice as indicated in Section VII below.

### IV. THE SYSTEM ADMINISTRATION'S RIGHTS AND RESPONSIBILITIES

A. Recruitment. Upon request of the THI, the System Administration, with the assistance of The University of Texas Health Science Center at Houston, shall help the THI recruit scientists, including physicians, to the research and education staff of The University of Texas Health Science Center at Houston. The scientists recruited shall be faculty members of The University of Texas Health Science Center at Houston but shall provide part-time or full-time professional services to the THI. The scientists shall be subject to the terms and provisions of the Affiliation Agreement between The University of Texas Health Science Center at Houston and the THI that was originally executed on September 30, 1976, restated on June 8, 1988 and June 30, 1998, re-executed on

September 1, 2003 and any subsequent agreements (collectively known as “THI/UTHSC-H Agreements”) for the provision of professional, research and administrative services. Further, the scientists shall be listed in the Exhibits to the THI/UTHSC-H Agreements such that THI shall reimburse, either financially or in-kind, The University of Texas Health Science Center at Houston for services provided to THI in the same manner that other services provided to THI are reimbursed. In addition, upon request of the THI, the System Administration, with the assistance of The University of Texas Health Science Center at Houston, may also assist in the recruitment to the THI of scientists, including physicians, who have medical or faculty appointments at other Texas Medical Center institutions and who will not be faculty members at The University of Texas Health Science Center at Houston.

B. Fundraising. The System Administration, with the assistance of The University of Texas Health Science Center at Houston, shall participate in the fundraising activities of the THI that are mutually beneficial to each of the parties for research and education programs. Fundraising activities shall include seeking support for funding at the local, state, federal, and international levels and from public and private sources. Mutually beneficial fundraising activities require prior written approval of the Executive Vice Chancellor for Health Affairs of the System Administration (hereafter “Executive Vice Chancellor”), or a delegate, and the Chairman of the Board of Trustees of THI, or a delegate. Fundraising efforts in support of research by a faculty member of an institution of the System Administration for the joint benefit of the THI and any System Administration institution shall require approval of the Executive Vice Chancellor, or a delegate. In all joint fundraising efforts, particular care shall be taken to clearly

document the party which is to be the recipient of the funds at the commencement of such joint fundraising efforts. In joint fundraising efforts, prior determination shall be made of the percentage benefit to inure to each party.

C. Administrative Expertise. Upon request of the THI, the System Administration, with the assistance of The University of Texas Health Science Center at Houston, shall provide technical, financial and administrative expertise to the THI in managing the THI. Such expertise may relate to, but shall not be limited to, the THI program structure, organizational structure, management, and other operational expertise. The System Administration shall not employ additional personnel nor incur additional expense for the purpose of providing such expertise to the THI.

D. The System Administration shall maintain complete control over funds in the Available University Fund, the Permanent University Fund and any and all state funds appropriated to System Administration and its U. T. institutions.

E. The System Administration assumes no responsibility of any kind for the fiscal condition of the THI, including any losses or indebtednesses of the THI.

F. The System Administration assumes no responsibility for the operation and oversight of the THI and assumes no costs related to maintenance, construction, operation and equipping of the space currently occupied by the THI.

G. Within ninety days of the effective date of this Agreement, the Executive Vice Chancellor, or a delegate, shall provide to the Chairman of the Board of THI a list of at least six recommended individuals to serve as members of the THI Board of Trustees. This list may include current members of the THI Board of Trustees.

H. This Agreement does not intend to nor shall it be deemed to alter the terms of any currently existing agreement between the parties or related institutions. To the extent that any provisions of any currently existing agreement between the parties or related institutions conflicts with any provision of this Agreement, the provisions of this Agreement shall control for the purposes of activities relating to this Agreement.

I. This Agreement does not prevent or preclude the System Administration and U. T. institutions or the THI from engaging in any other collaborative research, education and patient care activities.

J. No use of the name, logo, seal or other trademark of The University of Texas System or any of its institutions is permitted without the prior written approval of the Executive Vice Chancellor, or a delegate, in consultation with the Office of Trademark Licensing for the U. T. System.

## V. THI'S RIGHTS AND RESPONSIBILITIES

A. THI, through its Board of Trustees, shall maintain exclusive control and oversight of the property, business and operations of the THI, including the THI endowment.

B. This Agreement does not preclude the THI from fulfilling contractual commitments in effect on the date of this Agreement to St. Luke's Episcopal Hospital in Houston, Texas.

C. This Agreement does not preclude THI from permitting individuals from other institutions, including the Baylor College of Medicine, from being members of the

professional staff of the THI and engaging in collaborative research and educational activities with THI.

D. The Articles of Incorporation, including all amendments thereto, and/or the Bylaws, including all amendments thereto, of THI shall be amended to provide that at least six of the trustees known as “Other Trustees,” as that term is used in the THI Bylaws, shall be elected from a list of eligible individuals designated annually by the Executive Vice Chancellor or a delegate as having a close affiliation with System Administration and who would be expected to represent the interests of the System Administration as well as those of THI on the THI board. Eligible individuals may include persons presently incumbent on the THI board as well as persons having had no prior association with the governance of THI; however, to the end that the THI board should not be immediately expanded beyond its present size of 26 authorized “Other Trustees” and so as not to disrupt continuing board functioning by requiring immediate resignations of incumbent trustees, it would be expected that initially two eligible persons would be elected to the THI board to fill existing vacancies and at least four other presently incumbent trustees would be elected from eligible individuals identified by the Executive Vice Chancellor. Thereafter, as THI trustees retire from service and/or as terms expire, at least two persons elected to each class of trustees would be eligible persons, such that following the 2006 annual election of trustees the “Other Trustees” would thereafter for the term of this Agreement always include at least six persons who at the date of initial appointment to the THI board were eligible persons, some or all of whom may have had no association with THI prior to their respective initial appointments as Other Trustees. The initial election of these THI trustees shall be made

within thirty days of the receipt of the designation from the Executive Vice Chancellor. The THI Board of Trustees shall take such actions as may be necessary to cause such individuals and their successors and replacements to be elected to the THI Board of Trustees. The members of the Board of Trustees designated by the Executive Vice Chancellor shall have the same voting and other rights as the other members of the THI Board of Trustees. If the total membership of the THI Board of Trustees is expanded from its current number of thirty (30), the THI shall elect 25%, or as near as practicable to 25%, of its total Board membership from eligible individuals designated annually by the Executive Vice Chancellor.

E. The THI Board of Trustees, in consultation with the Executive Vice Chancellor, or a delegate, shall appoint the President, the Medical Director, and the Chief Operating Officer of the THI. The Articles of Incorporation of the THI, including any amendments thereto, and/or the Bylaws of the THI, including any amendments thereto, shall be amended as necessary to provide that the appointment of such officers by the THI shall be in consultation with the Executive Vice Chancellor.

F. The THI Medical Director shall be eligible for appointment to the faculty of a U. T. institution. Such appointment shall be within the sole and exclusive discretion of the designated U. T. institution. The President of the THI may be eligible for appointment to the faculty of a designated U. T. institution; however, such appointment shall be within the sole and exclusive discretion of the designated U. T. institution. The granting of a faculty appointment to the Medical Director and/or President of THI under this Agreement alone is not intended to, nor shall it be deemed to constitute employment

by the System Administration or any U. T. institution nor shall any legal rights or employee benefits result solely from such faculty appointment.

G. THI shall provide an annual written report, including, but not limited to, a comprehensive financial report with audited financial statements and a report of fundraising and recruitment efforts, which details THI's progress in research and education to the Executive Vice Chancellor. The System Administration shall determine the contents or the form of the contents of such annual written report. All records relating to this Agreement, including THI's related financial data shall be subject to the review and audit by the System Administration during normal business hours and upon advance written notice to the THI.

H. At least every three (3) years, the THI shall conduct a peer review of all research and education activities, including a review of personnel, of the THI. This peer review shall be conducted by a team of extramural scientists and educators which shall be selected by a team that will be mutually agreed upon by the THI and the Executive Vice Chancellor. At the conclusion of its review, the peer review team shall produce a written report which shall be simultaneously provided to the Board of Trustees of the THI and to the Executive Vice Chancellor. No cost associated with the peer review shall be borne by the System Administration or any of its component institutions.

I. No use of the name, logo or trademark of the THI is permitted without the prior written approval of the Chairman of the Board of Trustees of the THI or President of the THI.

## VI. GENERAL PROVISIONS

A. By entering into this Agreement, the parties do not intend to create, nor shall they be deemed to have created any partnership, joint venture, joint enterprise or any other legal entity.

B. This agreement may not be assigned without the written consent of the other party hereto.

C. This agreement shall be governed by, and construed in accordance with, the laws of the State of Texas.

D. Except as otherwise required by law or regulation, neither party shall release or distribute any press release or information for use in the public media containing the name of the other party or any of its employees without prior written approval by an authorized representative of the non-releasing party but such approval shall not be unreasonably withheld. Either party, however, shall have the right to acknowledge the other party's support of the research and investigations under this Agreement in scientific or academic publications and other scientific or academic communications without that party's prior approval. In any such statements, the parties shall describe the scope and nature of their participation accurately and appropriately. Both parties recognize that their names, marks and logo designs are registered trademarks and may not be used without the express written consent of the other party as provided by this Agreement.

E. The headings used in this Agreement do not constitute part of the Agreement of the parties, but are used for convenience of reference only.

F. No amendment, modification, or alteration of the terms of this Agreement shall be binding upon the parties unless mutually agreed in writing by the Executive Vice Chancellor and the Chairman of the Board of Trustees of the THI.

G. Each party represents and warrants that this Agreement has been approved by its governing board and is a valid, binding and enforceable obligation of such party.

H. This Agreement supersedes any and all discussions, negotiations and representations of any kind and represents the entire agreement of the parties concerning the subject hereinabove mentioned.

## VII. NOTICE

Any notices to be given hereunder by either party to the other shall be effected in writing either by personal delivery or delivery by mail, registered or certified, postage prepaid with return receipt requested. Notices shall be addressed to the parties at the addresses appearing in the following paragraph of this Agreement, until and unless such party changes the specified address by written notice to the other.

Notice shall be given to each of the parties at the following addresses:

If to THI: Texas Heart Institute  
1101 Bates  
Houston, Texas 77030  
Attention: Chairman of the Board

If to System: The University of Texas System  
601 Colorado Street  
Austin, Texas 78701  
Attention: Executive Vice Chancellor for Health Affairs

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first written above.

TEXAS HEART INSTITUTE

THE UNIVERSITY OF TEXAS SYSTEM  
ADMINISTRATION

By: \_\_\_\_\_

By: \_\_\_\_\_

NAME: Denton A. Cooley, M.D.

NAME: Kenneth I. Shine, M.D.

TITLE: President & Surgeon-in-Chief

TITLE: Executive Vice Chancellor for  
Health Affairs

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_