



TABLE OF CONTENTS FOR HEALTH AFFAIRS COMMITTEE

Committee Meeting: 8/19/2009

Colleen McHugh, Chairman
James D. Dannenbaum
Janiece Longoria
Wm. Eugene Powell

Board Meeting: 8/20/2009
Austin, Texas

Wednesday, August 19, 2009

	Committee Meeting	Board Meeting	Page
A. CONVENE MEETING OF THE HEALTH AFFAIRS COMMITTEE			
	<i>4:15 p.m. Chairman McHugh</i>		
1. U. T. System: Approval to set The University of Texas System Professional Medical Liability Benefit Plan premium rates for Fiscal Year 2010, distribute a portion of Plan premium returns, amend the Plan, and adopt a new premium rate structure for medical student externships	<i>4:15 p.m. Action Mr. Burgdorf</i>	Action	108
2. U. T. Health Science Center – Houston: Authorization to lease approximately 14,129 square feet of space in the office building at 1616 Guadalupe Street, Austin, Travis County, Texas, from U. T. System Administration for the Austin Regional Campus of the School of Public Health	<i>4:20 p.m. Action President Kaiser Ms. Mayne</i>	Action	116
3. U. T. M. D. Anderson Cancer Center and U. T. Health Science Center – Houston: Authorization to effectuate the following set of related transactions to facilitate the construction by U. T. Health Science Center – Houston of the Dental Branch Replacement Building: (a) the transfer of use of the following properties from U. T. Health Science Center – Houston to U. T. M. D. Anderson Cancer Center: approximately 3.7 acres of land with improvements located at 6516 M. D. Anderson Boulevard, Houston, Harris County, Texas, and containing the current Dental Branch building; and approximately 5.1 acres of land at 1881 East Road, Houston, Harris County, Texas, and U. T. Health Science Center – Houston's interest in the Joint Research Building (JRB) now under construction on the tract, together with the assumption by U. T. M. D. Anderson of the payment obligations related to the construction of the JRB; (b) the transfer of use from U. T. M. D. Anderson Cancer Center to U. T. Health Science Center – Houston of a portion of the tunnel linking the JRB and U. T. Health Science Center – Houston's Biomedical Research and Educational Facility, both located on East Road, Houston, Harris County, Texas; (c) the lease by U. T. M. D. Anderson Cancer Center to U. T. Health Science Center – Houston of approximately 33,775 square feet in the JRB; and (d) the payment by U. T. M. D. Anderson Cancer Center to U. T. Health Science Center – Houston of \$57 million over 20 years	<i>4:25 p.m. Action President Mendelsohn President Kaiser Ms. Mayne</i>	Action	119

Wednesday, August 19, 2009 (continued)

	Committee Meeting	Board Meeting	Page
4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws	4:35 p.m. Report <i>Dr. Shine</i> <i>Ms. Thomas</i>	Not on Agenda	125
5. U. T. System: Role of public health programs in the U. T. System	4:40 p.m. Report <i>Dr. Roberta B. Ness, Dean, School of Public Health, U. T. Health Science Center – Houston</i>	Not on Agenda	125
6. U. T. System: Quarterly report on health matters, including educational issues resulting from the accreditation processes at U. T. System health institutions, the status of Clinical and Translational Science Award programs in the U. T. System, and upcoming conferences sponsored by the U. T. System	5:00 p.m. Report <i>Dr. Shine</i>	Not on Agenda	126
B. ADJOURN MEETING OF HEALTH AFFAIRS COMMITTEE	5:15 p.m.		

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Thursday, August 20, 2009

	Committee Meeting
C. CONVENE SPECIAL MEETING OF THE HEALTH AFFAIRS COMMITTEE	8:00 a.m. <i>Chairman McHugh</i> <i>Dr. Shine</i>
<u>Institutional Approaches to Developments in the Health Care Reform Debate</u>	
The presidents of the U. T. System health institutions will discuss institutional approaches to developments in the health care reform debate.	
D. ADJOURN SPECIAL MEETING	9:30 a.m.

1. **U. T. System: Approval to set The University of Texas System Professional Medical Liability Benefit Plan premium rates for Fiscal Year 2010, distribute a portion of Plan premium returns, amend the Plan, and adopt a new premium rate structure for medical student externships**

RECOMMENDATION

The Chancellor concurs in the recommendation of The University of Texas System Professional Medical Liability Benefit Plan (Plan) Management Committee, chaired by the Vice Chancellor and General Counsel and comprised of the chair, the Executive Vice Chancellor for Health Affairs, and the Executive Vice Chancellor for Business Affairs, after consultation with KPMG LLP, actuary for the Plan, that

- a. the premium rates for faculty and residents for Fiscal Year 2010 be reduced by an average of 10% from the rates for Fiscal Year 2009;
- b. the cap on institutional premium rates be reduced by \$10,000 from \$100,000 to \$90,000 for Fiscal Year 2010;
- c. the premium rates for medical students in Texas and international coverage rates for Fiscal Year 2010 remain unchanged from the rates for Fiscal Year 2009;
- d. the Plan be amended to make coverage available for medical student externships outside Texas in an amount up to \$2 million per claim and \$5 million aggregate per Plan year, along with a new rate structure; and
- e. \$12.5 million be distributed from Plan returns as follows for Fiscal Year 2010: \$10 million to the participating U. T. System institutions based on the institution's loss ratio and \$2.5 million to support patient safety efforts in the area of Health Information Technology.

The proposed premium rates for faculty and residents for Fiscal Year 2010 are set forth in Exhibit 1 (Pages 111 - 112). The proposed premium rate structure for medical student externships is set forth in Exhibit 2 (Pages 113 - 114). The proposed distribution of \$12.5 million is set forth in Exhibit 3 (Page 115).

BACKGROUND INFORMATION

On March 26, 2008, the Board of Regents endorsed a three-year plan forwarded by the Plan Management Committee to reduce the reserves held in the Plan to industry standard reserve requirements according to generally accepted industry standards. The proposed premium rates are based on the recommended average 10% reduction combined with a factor determined through the annual actuarial assessment of loss

experience by institution, with the assumption that no institution's rates would be increased. The recommended premium reductions and distribution are in keeping with the plan to reduce reserves.

Previous distributions were initially based solely on the institution's pro rata share of premiums paid into the Plan in the preceding year; however, last year the distribution plan was based 50% on the pro rata share of premiums and 50% based on the institution's loss ratio, or claims history. In a continuing effort to encourage ever-increasing patient safety and systemic remediation, the recommended \$10 million distribution plan for this year is based entirely on the institution's loss ratio.

In addition to the \$10 million to be distributed to participating institutions, \$2.5 million is recommended for support of patient safety initiatives specifically in the area of Health Information Technology to promote improved networking and management of health information. This funding should support Systemwide attempts to gain stimulus funding for Health Information Technology that is anticipated to require matched funding and would be managed under a grant process by the Executive Vice Chancellor for Health Affairs.

Medical student externships provide a valuable opportunity for medical students to participate in an out-of-state clinical experience that is often the prelude to a medical residency. However, other states usually require higher medical liability limits than the Plan provides in Texas. While the Plan currently provides limits of \$1 million per claim and \$3 million aggregate for purchase by medical students, some states require even higher coverage. The proposed Plan amendment, set forth below, would permit a higher limit on coverage while the proposed rate structure provides flexibility to accommodate varying coverage limits depending on the jurisdiction and the institutional requirement.

THE UNIVERSITY OF TEXAS SYSTEM PROFESSIONAL

MEDICAL LIABILITY BENEFIT PLAN

ARTICLE VII

LIMITS OF LIABILITY

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Limits of Liability Schedule

The following limits shall apply unless lower liability limits are set by law, in which case the lower limits shall apply:

Staff Physician - \$500,000.00 per Liability Claim (up to \$1,500,000.00 for all Liability Claims during any one enrollment period)

Resident and Fellows - \$100,000.00 per Liability Claim (up to \$300,000.00 for all Liability Claims during any one enrollment period)

Medical or Dental Student - \$25,000.00 per Liability Claim (up to \$75,000.00 for all Liability Claims during any one enrollment period); upon approval by the Plan Administrator or a delegate, ~~\$1,000,000.00 per Liability Claim (up to \$3,000,000.00 for all Liability Claims during any one enrollment period) for participation in an "away" or off-site experience outside of Texas sanctioned by the U. T. institution and not exceeding three months in duration during any one enrollment period~~ additional limits up to \$2,000,000.00 per Liability Claim (up to \$5,000,000.00 for all Liability Claims during any one enrollment period) may be made available for student participation in externships outside of Texas that meet the conditions of participation set by the Plan Administrator, or a designee, for student externships

Annual Aggregate - \$30,000,000.00 for all Liability Claims for all Participants during any one Plan year

Per Claim Limitation - Plan liability shall be limited to \$2,000,000.00 per claim regardless of the number of the claimants or Plan Participants involved in an incident.

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Exhibit 1

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

Physician Risk Class 1

<u>Institution</u>	Recommended Rates for 9/1/2009	
	<u>Faculty</u>	<u>Resident</u>
UTMDACC	\$552	\$516
UTSWMC	576	540
UTMB	720	672
UTHSCH	816	768
UTHSCSA	684	636
UTHSCT	756	696
UTAustin	684	636
UTA	684	636
UTSA	684	636

Physician Risk Class 2

<u>Institution</u>	Recommended Rates for 9/1/2009	
	<u>Faculty</u>	<u>Resident</u>
UTMDACC	\$864	\$816
UTSWMC	900	852
UTMB	1,116	1,056
UTHSCH	1,284	1,212
UTHSCSA	1,068	1,008
UTHSCT	1,176	1,104
UTAustin	1,068	1,008
UTA	1,068	1,008
UTSA	1,068	1,008

Physician Risk Class 3

<u>Institution</u>	Recommended Rates for 9/1/2009	
	<u>Faculty</u>	<u>Resident</u>
UTMDACC	\$1,380	\$1,296
UTSWMC	1,428	1,344
UTMB	1,788	1,680
UTHSCH	2,040	1,920
UTHSCSA	1,704	1,596
UTHSCT	1,872	1,752
UTAustin	1,704	1,596
UTA	1,704	1,596
UTSA	1,704	1,596

Physician Risk Class 4

<u>Institution</u>	Recommended Rates for 9/1/2009	
	<u>Faculty</u>	<u>Resident</u>
UTMDACC	\$2,580	\$2,412
UTSWMC	2,676	2,496
UTMB	3,336	3,120
UTHSCH	3,816	3,576
UTHSCSA	3,180	2,976
UTHSCT	3,504	3,276
UTAustin	3,180	2,976
UTA	3,180	2,976
UTSA	3,180	2,976

Exhibit 1 (cont'd)

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

Physician Risk Class 5

Institution	Recommended Rates for 9/1/2009	
	Faculty	Resident
UTMDACC	\$3,792	\$3,564
UTSWMC	3,936	3,696
UTMB	4,920	4,620
UTHSCH	5,616	5,280
UTHSCSA	4,680	4,404
UTHSCT	5,148	4,848
UTAustin	4,680	4,404
UTA	4,680	4,404
UTSA	4,680	4,404

General Dentist Risk Class A

Institution	Recommended Rates for 9/1/2009	
	Faculty	Resident
UTMDACC	\$192	\$180
UTSWMC	204	192
UTMB	252	240
UTHSCH	288	276
UTHSCSA	240	228
UTHSCT	264	252
UTAustin	240	228
UTA	240	228
UTSA	240	228

Oral Surgery Risk Class B

Institution	Recommended Rates for 9/1/2009	
	Faculty	Resident
UTMDACC	\$864	\$816
UTSWMC	900	852
UTMB	1,116	1,056
UTHSCH	1,284	1,212
UTHSCSA	1,068	1,008
UTHSCT	1,176	1,104
UTAustin	1,068	1,008
UTA	1,068	1,008
UTSA	1,068	1,008

Exhibit 2
The University of Texas System Professional Medical Liability Benefit Plan
2009/2010 - Medical Student Externship Rates

Daily Rates			
	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
State Group	\$200K/\$600K Daily Rates	\$1M/\$3M Daily Rates	\$2M/\$5M Daily Rates
A	\$0.71	\$1.37	\$1.68
B	\$0.95	\$1.83	\$2.23
C	\$1.24	\$2.38	\$2.90
D	\$1.72	\$3.29	\$4.14
E	\$3.32	\$6.39	\$8.05

Exhibit 2 (cont'd)
The University of Texas System Professional Medical Liability Benefit Plan
 2009/2010 - Medical Student Externship Rates

State Group				Group Definition		
A	B	C	D	E	State	Counties
Alabama	Alaska	Arizona	California 2	Florida 2	California 1	Rest of State
Arkansas	California 1	Hawaii	D.C.	Michigan 2	California 2	Los Angeles, Orange, San Bernardino
Colorado	Connecticut	Illinois 1	Florida 1	New York 2	Florida 1	Rest of State
Georgia	Delaware	Louisiana	Illinois 2		Florida 2	Broward, Dade
Idaho	Kansas	Missouri	Michigan 1		Illinois 1	Rest of State
Indiana	Maryland 2	Nevada 2	New York 1		Illinois 2	Cook, DuPage, Madison, McHenry, Kane, Lake, St. Clair, Will
Iowa	Nevada 1	Ohio 2	Ohio 3		Maryland 1	Rest of State
Kentucky	New Hampshire	Oklahoma	Rhode Island		Maryland 2	City and County of Baltimore
Maine	New Jersey	Pennsylvania 2	West Virginia		Michigan 1	Rest of State
Maryland 1	New Mexico	Wyoming			Michigan 2	Macomb, Oakland, Wayne
Massachusetts	North Dakota	CANADA			Nevada 1	Rest of State
Minnesota	Ohio 1				Nevada 2	Clark
Mississippi	Utah				New York 1	Rest of State
Montana	Virginia 2				New York 2	Bronx, Kings, New York, Orange, Queens, Richmond, Rockland, Sullivan, Ulster, Westchester
Nebraska					Ohio 1	Rest of State
North Carolina					Ohio 2	Cuyahoga, Geauga, Huron, Lake, Lorain, Mahoning, Marion, Medina, Stark, Summit
Oregon					Ohio 3	Ashtabula, Columbiana, Portage, Richland, Trumbull
Pennsylvania 1					Pennsylvania 1	Rest of State
South Carolina					Pennsylvania 2	Bucks, Schuylkill, Philadelphia, Montgomery, Delaware
South Dakota					Virginia 1	Rest of State
Tennessee					Virginia 2	Arlington, Fairfax, Fauquier, Gloucester, Isle of Wight, James City, Loudoun, Prince William, Surry, York
Vermont						
Virginia 1						
Washington						
Wisconsin						

Exhibit 3

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

<u>Institution</u>	<u>FY2006-FY2008 Premiums Paid</u>	<u>FY2006-FY2008 Claims</u>	<u>Loss Ratio¹</u>	<u>Distribution (100% Loss Ratio)</u>
UTMDACC	6,759,578	1,607,578	24%	1,797,383
UTSWMC	10,784,983	4,405,118	41%	1,669,764
UTMB	14,823,022	4,062,491	27%	3,420,225
UTHSCH	6,751,371	3,541,054	52%	814,001
Medical Foundation	4,399,518	2,307,521	52%	530,442
UTHSCSA	9,827,360	3,981,511	41%	1,533,908
UTHSCT	584,646	95,457	16%	226,439
UT Austin	105,796	324,093	306%	2,184
UTA	5,794	-	0%	2,244
UTSA	8,803	-	0%	3,410
Subtotal	<u>\$54,050,871</u>	<u>\$20,324,823</u>	38%	<u>\$ 10,000,000</u>
Health Information Technology				<u>\$ 2,500,000</u>
TOTAL PROPOSED DISTRIBUTION				<u>\$ 12,500,000</u>

¹ For academic institutions with a 0% loss ratio, the best health institution loss ratio was applied (UTHSCT).

2. **U. T. Health Science Center – Houston: Authorization to lease approximately 14,129 square feet of space in the office building at 1616 Guadalupe Street, Austin, Travis County, Texas, from U. T. System Administration for the Austin Regional Campus of the School of Public Health**

RECOMMENDATION

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

- a. lease approximately 14,129 square feet of space in the office building at 1616 Guadalupe Street, Austin, Travis County, Texas, from the U. T. System Administration for the Austin Regional Campus of the School of Public Health; and
- b. authorize the Executive Director of Real Estate to execute the lease and all documents, instruments, and other agreements on behalf of U. T. System Administration, and authorize the President of U. T. Health Science Center – Houston to execute the lease and all documents, instruments, and other agreements on behalf of the institution, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The Austin Regional Campus of the U. T. Health Science Center – Houston School of Public Health has outgrown its current space at 12th and Trinity Streets in Austin, Texas, and needs additional space for its educational mission. The building at 1616 Guadalupe has seven floors, with the first through the fifth floors being beneficially used by U. T. Austin and the sixth and seventh floors being beneficially used by U. T. System Administration.

U. T. System Administration's Office of Facilities Planning and Construction (OFPC), the current occupant of the sixth and seventh floors, has consolidated its operations and therefore has excess space available for lease to U. T. Health Science Center – Houston for use by its School of Public Health. This lease will allow the School of Public Health to accommodate the increasing number of students in its Austin Regional Campus, while allowing OFPC to reduce its space costs.

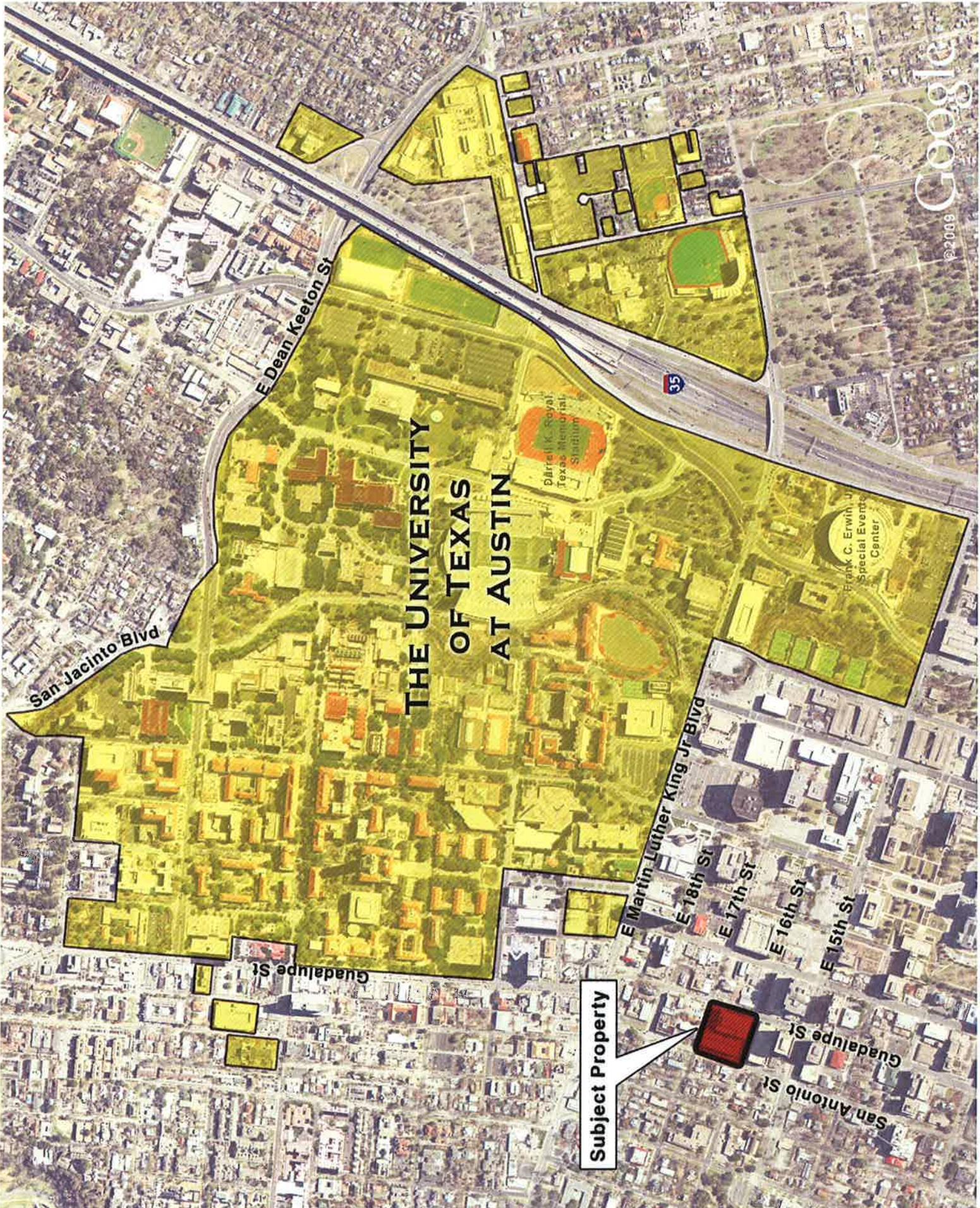
The Austin Regional Campus will use the space for offices for faculty and staff. Existing conference rooms on the sixth and seventh floors will provide space for classroom instruction.

The building was purchased by U. T. Austin in December 2006. The purchase price of \$22 million was permanently financed with bonds issued in January 2007 (the Acquisition Bonds). In July 2007, U. T. Austin and U. T. System Administration entered into a memorandum of understanding pursuant to which U. T. System Administration became a part beneficial owner of the building (the sixth and seventh floors). Subsequently, the renovation of the building was approved with a Total Project Cost of \$36.3 million, of which \$18.925 million was permanently financed with three tranches of bonds issued in March 2008, June 2009, and July 2009 (collectively, the Renovation Bonds). U. T. System Administration reimburses U. T. Austin 100% for the debt service on the Renovation Bonds as and when bond payments are made. Rental to be paid by U. T. Health Science Center – Houston will be that institution's pro rata share of the payments made by U. T. System Administration to U. T. Austin.

Details of this lease, which will be funded with State funds, are summarized in the transaction summary below.

Transaction Summary

Type of Transaction:	Lease
Landlord:	U. T. System Administration
Tenant:	U. T. Health Science Center – Houston
Location:	1616 Guadalupe Street, Austin, Travis County, Texas (see map on following page)
Total Rentable Area:	Approximately 14,129 rentable square feet
Parking:	Approximately 43 spaces in the adjacent parking garage
Annual Rent:	Initial annual base rental will be \$23.30 per rentable square foot (approximately \$329,206 per year); base rent will be adjusted to reimburse U. T. System Administration on a pro rata basis for the payments U. T. System Administration makes to U. T. Austin for debt service on the Renovation Bonds; when the Renovation Bonds have matured, future base rent will be at market; in addition, the tenant will pay its pro rata share of operating costs, currently estimated at \$5.77 per rentable square foot
Lease Term:	10-year initial term with two five-year options to renew
Intended Use:	Office and classroom purposes for the Austin Regional Campus of U. T. Health Science Center – Houston’s School of Public Health
Source of Funds:	State funds



**THE UNIVERSITY
OF TEXAS
AT AUSTIN**

Subject Property

3. **U. T. M. D. Anderson Cancer Center and U. T. Health Science Center – Houston: Authorization to effectuate the following set of related transactions to facilitate the construction by U. T. Health Science Center – Houston of the Dental Branch Replacement Building: (a) the transfer of use of the following properties from U. T. Health Science Center – Houston to U. T. M. D. Anderson Cancer Center: approximately 3.7 acres of land with improvements located at 6516 M. D. Anderson Boulevard, Houston, Harris County, Texas, and containing the current Dental Branch building; and approximately 5.1 acres of land at 1881 East Road, Houston, Harris County, Texas, and U. T. Health Science Center – Houston's interest in the Joint Research Building (JRB) now under construction on the tract, together with the assumption by U. T. M. D. Anderson of the payment obligations related to the construction of the JRB; (b) the transfer of use from U. T. M. D. Anderson Cancer Center to U. T. Health Science Center – Houston of a portion of the tunnel linking the JRB and U. T. Health Science Center – Houston's Biomedical Research and Educational Facility, both located on East Road, Houston, Harris County, Texas; (c) the lease by U. T. M. D. Anderson Cancer Center to U. T. Health Science Center – Houston of approximately 33,775 square feet in the JRB; and (d) the payment by U. T. M. D. Anderson Cancer Center to U. T. Health Science Center – Houston of \$57 million over 20 years**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, President Mendelsohn, and President Kaiser that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center and U. T. Health Science Center – Houston, to

- a. transfer the use of the following properties from U. T. Health Science Center – Houston to U. T. M. D. Anderson Cancer Center: approximately 3.7 acres of land with improvements located at 6516 M. D. Anderson Boulevard, Houston, Harris County, Texas, and containing the current Dental Branch building; and approximately 5.1 acres of land at 1881 East Road, Houston, Harris County, Texas, and U. T. Health Science Center – Houston's interest in the Joint Research Building (JRB) now under construction on the tract, together with the assumption by U. T. M. D. Anderson of the payment obligations related to the construction of the JRB;
- b. transfer the use from U. T. M. D. Anderson Cancer Center to U. T. Health Science Center – Houston of a portion of the tunnel linking the JRB and

U. T. Health Science Center – Houston's Biomedical Research and Educational Facility (BREF), both located on East Road, Houston, Harris County, Texas;

- c. authorize a lease by U. T. M. D. Anderson Cancer Center to U. T. Health Science Center – Houston of approximately 33,775 square feet in the JRB for a term of 10 years with two 10-year options to extend;
- d. authorize the payment by U. T. M. D. Anderson Cancer Center to U. T. Health Science Center – Houston of \$57 million over 20 years; and
- e. authorize the President of U. T. M. D. Anderson Cancer Center and the President of U. T. Health Science Center – Houston to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel and the Executive Director of Real Estate, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

To facilitate U. T. Health Science Center – Houston's construction, in a single phase, of its proposed Dental Branch Replacement Building within the U. T. Research Park, U. T. M. D. Anderson Cancer Center and U. T. Health Science Center – Houston propose the transfer of use of certain properties, a lease by U. T. M. D. Anderson Cancer Center to U. T. Health Science Center – Houston of most of a floor in the JRB, and cash payments by U. T. M. D. Anderson Cancer Center to U. T. Health Science Center – Houston.

U. T. Health Science Center – Houston will transfer use of its existing Dental Branch facility, consisting of a 225,000 square foot building on approximately 3.7 acres of land located at 6516 M. D. Anderson Boulevard, adjacent to U. T. M. D. Anderson Cancer Center's main hospital complex, to U. T. M. D. Anderson Cancer Center by June 30, 2014. The existing Dental Branch facility was built in 1955 and is obsolete; any renovations would require costly upgrading and remediation.

The JRB is a six-story building of approximately 315,000 square feet that is currently being constructed at 1881 East Road on 5.1 acres within the U. T. Research Park. U. T. M. D. Anderson Cancer Center and U. T. Health Science Center – Houston have been collaborating on the construction and development of the JRB. The institutions originally contemplated that the JRB would be owned for use by both U. T. M. D. Anderson Cancer Center and U. T. Health Science Center – Houston, with U. T. Health Science Center – Houston having the exclusive permanent use of the fifth and sixth floors in the JRB. The land for the JRB was contributed by U. T. Health Science Center – Houston.

U. T. Health Science Center – Houston would like to transfer use of the land beneath the JRB and use of the fifth and sixth floors and two shared floors of the JRB to U. T. M. D. Anderson Cancer Center. U. T. M. D. Anderson Cancer Center will then lease most of the sixth floor, in shell condition, and an office on the first floor, to U. T. Health Science Center – Houston for a term of 10 years, with two 10-year options to extend.

U. T. M. D. Anderson Cancer Center will transfer use to U. T. Health Science Center – Houston of the tunnel connecting the JRB to the BREF. Although U. T. M. D. Anderson Cancer Center built this tunnel, U. T. Health Science Center – Houston became responsible, through an agreement between the institutions in 2008, for the operating expenses of this tunnel.

U. T. M. D. Anderson Cancer Center would gain land adjacent to its main hospital complex, in the heart of the Texas Medical Center, and additional research space in the JRB. U. T. Health Science Center – Houston would gain access to the JRB via the tunnel for use with BREF projects, funding sufficient to enable it to build the Dental Branch Replacement Building in one phase, and the release from construction obligations related to the JRB. Both institutions consolidate their use of real property. An agenda item is concurrently before the Facilities Planning and Construction Committee for the design development approval of the Dental Branch Replacement Building (see Item 11 on Page 143).

U. T. M. D. Anderson Cancer Center proposes to pay \$57,000,000 over a period of 20 years to U. T. Health Science Center – Houston to reconcile the various transfers of use and financial obligations. Within 30 days after the effective date of the agreement between the two institutions, the Cancer Center would make a payment of \$2.5 million plus the first annual installment payment of \$2.725 million, with subsequent installment payments of \$2.725 million each year thereafter through 2028. In addition, U. T. Health Science Center – Houston would benefit from its below-market lease of most of the sixth floor of the JRB.

U. T. M. D. Anderson Cancer Center would receive the use of the existing Dental Branch facility and the land beneath it, and would be responsible for demolition and environmental remediation costs of the facility. U. T. M. D. Anderson Cancer Center would also receive the use and benefit of the land beneath the JRB and benefits from the use of the fifth and sixth floors of the JRB and use rights to two floors of shared space, while accepting responsibility for all costs related to the construction of the JRB shell and shared spaces and relieving U. T. Health Science Center – Houston of construction obligations.

U. T. M. D. Anderson Cancer Center's Hospital Revenues will be used to fund its payments under the proposed property exchange; U. T. Health Science Center – Houston will use indirect cost recovery funds to fund its lease payment obligation. The terms and conditions of the series of transactions are specified in the transaction summary on the following page.

Transaction Summary

Transfer of use of existing Dental Branch building

Transferor: U. T. Health Science Center – Houston

Transferee: U. T. M. D. Anderson Cancer Center

Total Area: Approximately 3.7 acres

Improvements: A 225,000 square foot multistory facility built in 1955

Location: 6516 M. D. Anderson Boulevard, Houston, Harris County, Texas (see map on Page 124)

Intended Use: Future programmed campus expansion

Transfer of use of JRB land

Transferor: U. T. Health Science Center – Houston

Transferee: U. T. M. D. Anderson Cancer Center

Total Area: Approximately 5.1 acres

Improvements: Shell research facility containing approximately 315,000 square feet (presently under construction)

Location: 1881 East Road, Houston, Harris County, Texas (see map on Page 124)

Intended Use: Laboratory, research, and other uses consistent with the vision of U. T. M. D. Anderson Cancer Center

Transfer of use of fifth and sixth floors of JRB and use rights on two floors of shared space

Transferor: U. T. Health Science Center – Houston

Transferee: U. T. M. D. Anderson Cancer Center

Total Area: Approximately 67,100 square feet on the fifth and sixth floors, and use rights to two floors of shared space

Improvements: JRB shell research facility totaling approximately 315,000 square feet under construction

Location: 1881 East Road, Houston, Harris County, Texas
(see map on Page 124)

Intended Use: Laboratory, research, office, and other uses consistent with
the mission of U. T. M. D. Anderson Cancer Center

Transfer of use of BREF tunnel

Transferor: U. T. M. D. Anderson Cancer Center

Transferee: U. T. Health Science Center – Houston

Improvements: Tunnel

Location: Underground, between the JRB at 1881 East Road and the
BREF, Houston, Harris County, Texas (see map on Page 124)

Intended Use: Campus support and access between JRB and BREF

Lease of sixth floor of JRB

Tenant: U. T. Health Science Center – Houston

Landlord: U. T. M. D. Anderson Cancer Center

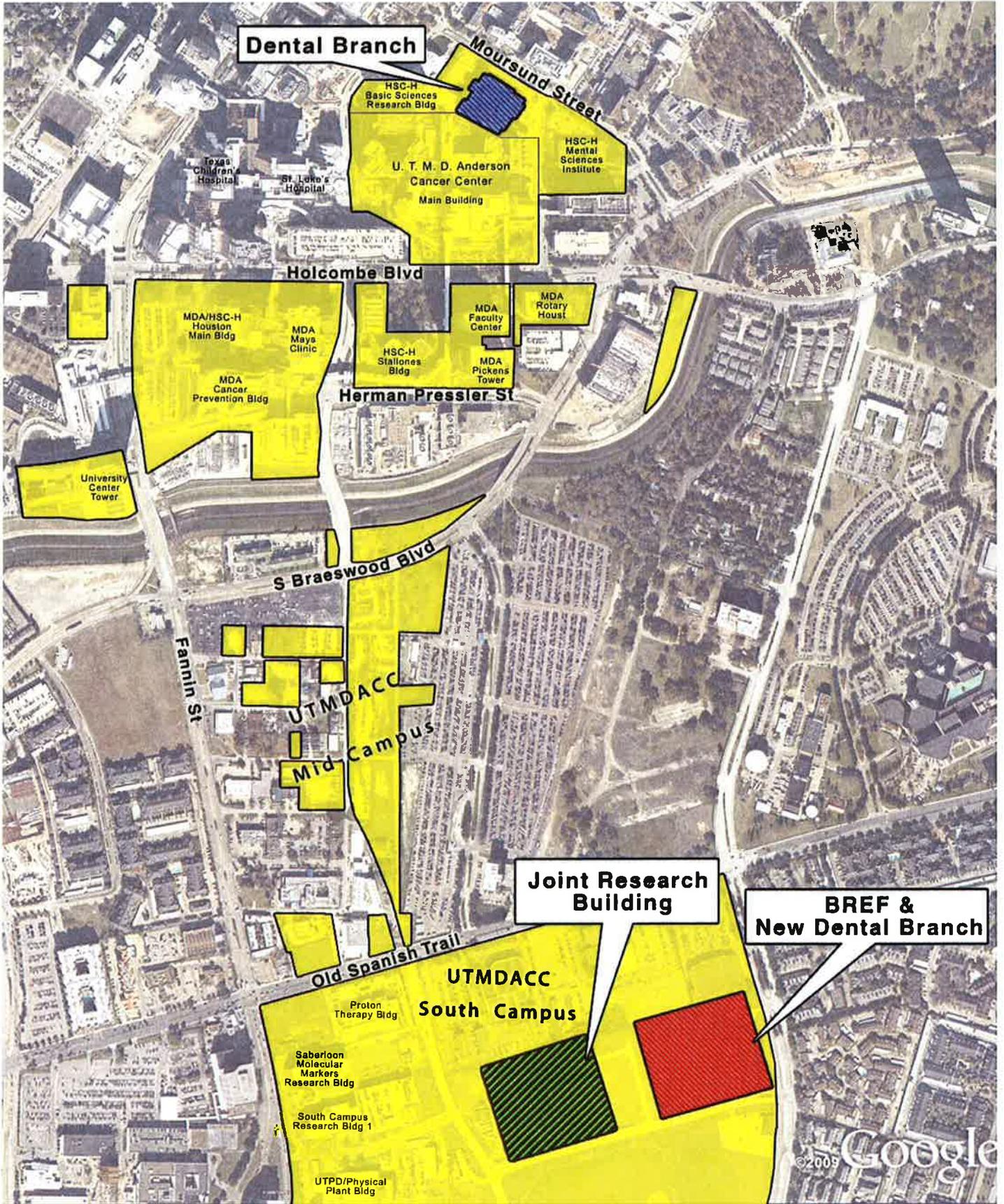
Premises: Approximately 33,582 square feet of shell space on the sixth
floor, and 193 square feet of shell space on the first floor of
JRB, 1881 East Road, Houston, Harris County, Texas
(see map on Page 124)

Improvements: The tenant is finishing out the premises with improvements
consisting of laboratory, research, and office facilities

Rent: \$570,000 annually (\$17.00 per square foot) with the first
two years free; rental was determined based on the
recovery of construction costs; rental increases for each
renewal term may not exceed 15% of the prior term's rent;
the tenant will be responsible for all direct operating
expenses and 15% of shared operating expenses.

Lease Term: 10 years, plus initial design, permitting, and construction
period (not to exceed six months), and two 10-year renewal
options

Uses: Laboratory, research, office, and other uses consistent with
the mission of U. T. Health Science Center – Houston



4. **U. T. System: Report and discussion related to changes to faculty practice plan bylaws**

Executive Vice Chancellor Shine and Vice Chancellor Thomas will report on changes to the faculty practice plan bylaws for the U. T. System health institutions.

REPORT

On February 7, 2008, the U. T. System Board of Regents approved substantial revisions to the template for model bylaws for the faculty practice plans, titled Medical Service, Research and Development Plans (MSRDP), or with respect to U. T. M. D. Anderson Cancer Center, the Physicians Referral Service (PRS), at U. T. System health institutions. The Board also authorized the Executive Vice Chancellor for Health Affairs to approve implementation of institutional faculty practice plans submitted by the presidents of U. T. System health institutions.

In coordination with the Office of Health Affairs and the Office of General Counsel, the U. T. System health institutions have submitted faculty practice plans in compliance with the model bylaws approved in February 2008.

Supplemental Materials: U. T. System health institutions' revised bylaws on Pages 110 - 240 of Volume 2.

5. **U. T. System: Role of public health programs in the U. T. System**

REPORT

Dr. Roberta B. Ness, Dean of the School of Public Health at U. T. Health Science Center – Houston, will report on the scope and impact of public health programs in the U. T. System and public health programs at the U. T. Health Science Center – Houston and its regional campuses.

Supplemental Materials: PowerPoint presentation on Pages 241 - 255 of Volume 2.

6. **U. T. System: Quarterly report on health matters, including educational issues resulting from the accreditation processes at U. T. System health institutions, the status of Clinical and Translational Science Award programs in the U. T. System, and upcoming conferences sponsored by the U. T. System**

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System, including educational issues resulting from the accreditation processes at U. T. System health institutions, the status of Clinical and Translational Science Award programs in the U. T. System, and upcoming conferences sponsored by the U. T. System. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.