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**Committee Meeting:** 8/14/2019

**Board Meeting:** 8/15/2019  
Austin, Texas

Janiece Longoria, *Chairman*  
David J. Beck  
Christina Melton Crain  
R. Steven Hicks  
Jodie Lee Jiles  
Nolan Perez

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<b>Convene</b>	<i>2:30 p.m.</i> <i>Chairman Longoria</i>		
1. <b>U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration</b>	<i>2:30 p.m.</i> <b>Discussion</b>	<b>Action</b>	<b>205</b>
2. <b>U. T. System: Approval to distribute a portion of The University of Texas System Professional Medical Liability Benefit Plan premium returns and approve rates for the Plan</b>	<i>2:35 p.m.</i> <b>Action</b> <i>Ms. Thomas</i> <i>Mr. Sharphorn</i>	<b>Action</b>	<b>206</b>
3. <b>U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding a) allocation and authorization of expenditure of \$10 million of institutional funds to Harris Health System solely for the design and construction of expanded oncology facilities at the Lyndon Baines Johnson Hospital; b) based on a successful philanthropic campaign, allocation and authorization of expenditure of up to \$37 million of institutional funds to Harris Health System solely for the build-out of the radiation oncology facility and expanded oncology facilities at the Lyndon Baines Johnson Hospital; c) authorization to license its name to Harris Health System for purposes of branding or co-branding the oncology facilities at the Lyndon Baines Johnson Hospital; d) delegation of authority to the President of UTMDACC to execute related documents and take other action necessary; and e) finding of public purpose</b>	<i>2:45 p.m.</i> <b>Action</b> <i>Stephen Hahn, M.D.</i> <i>UTMDACC</i>	<b>Action</b>	<b>208</b>

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4. <b>U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding authorization a) to participate as a member of Alliance of Dedicated Cancer Centers, Inc. (ADCC), b) to pay dues and other assessments to ADCC when due, c) for U. T. M. D. Anderson Cancer Center employees to serve on an uncompensated basis as U. T. M. D. Anderson Cancer Center's director on the board of ADCC, d) for U. T. M. D. Anderson Cancer Center employees to serve, from time to time, on an uncompensated basis as officers of ADCC when and if elected, and e) delegation of authority to the President to execute documents and take other actions as necessary, following final review and approval</b>	3:00 p.m. <b>Action</b> <i>Mr. Steven Haydon UTMDACC Mr. Brad Gibson UTMDACC</i>	<b>Action</b>	<b>211</b>
5. <b>U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding a) proposed participation as a special limited partner in the Focus Fund, L.P., b) use of U. T. M. D. Anderson Cancer Center names, logos, and trademarks in association with the Focus Fund, and c) delegation of authority to the President to execute documents and take other actions as necessary, following final review and approval</b>	3:15 p.m. <b>Action</b> <i>Mr. Steve Haydon UTMDACC Mr. Ferran Prat UTMDACC</i>	<b>Action</b>	<b>212</b>
<b>Adjourn</b>	3:30 p.m.		

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**

RECOMMENDATION

The proposed Consent Agenda items assigned to this Committee are [Items 48 - 70](#).

2. **U. T. System: Approval to distribute a portion of The University of Texas System Professional Medical Liability Benefit Plan premium returns and approve rates for the Plan**

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 *ad interim*, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Business Affairs, after consultation with Milliman, Inc., actuary for the Plan, that:

- a. overall premium rates remain unchanged; and
- b. \$6 million in premiums be returned to the participating U. T. System institutions based on a methodology that considers each institution's losses.

The proposed distribution of \$6 million is set forth on the following page as Exhibit 1.

BACKGROUND INFORMATION

With the implementation of tort reform in 2003, the Plan Management Committee (Committee) has consistently recommended significant reductions in total Plan assets to bring the reserve levels to those generally accepted by the industry. The Committee continues balancing Plan revenue from premiums charged and investment income with adequate capitalization from which to pay Plan claims, reserves for future claims, and administrative expenses. As part of this effort, Plan premiums were significantly reduced for several years immediately following tort reform adoption, and since 2007, the premium rates have either been reduced or unchanged. However, Plan premiums are adjusted annually for institutional loss experience.

For the coming year, the Committee recommends maintaining overall premiums at the current rates. Based on Plan investment income and efficient management of claims, the Committee recommends a return to the contributing institutions of \$6 million so that excessive reserves are not maintained. The combination of unchanged rates along with this distribution should still allow for adequate capitalization of the Plan.

The methodology for distribution of \$6 million to participating institutions considers the proportion of each institution's payment into the Plan as well as each institution's loss experience. Thus, those institutions with higher claims receive lower distributions.

Since there are remaining funds previously designed for U. T. efforts in patient safety enhancement through collaborative projects, as identified by the Executive Vice Chancellor for Health Affairs *ad interim*, no additional such funds are recommended for this fiscal year.

Exhibit 1  
**The University of Texas System Professional Medical Liability Benefit Plan**  
Proposed Distribution of Plan Returns  
 FY 2019

<i><b>Institution</b></i>	<i><b>Premium Paid</b></i>	<i><b>Claims Expense</b></i>	<i><b>Net Contribution Amount</b></i>	<i><b>Rebate based on Net Contribution</b></i>
	<i><b>2017-2019</b></i>	<i><b>2017-2019</b></i>		
UT Arlington	6,594	-	6,594	2,107
UT Austin	362,593	121,860	240,733	76,913
UT Dallas	1,488	-	1,488	475
UT El Paso	948	-	948	303
UT Rio Grande Valley	798,352	16,270	782,082	249,870
UT San Antonio	3,834	-	3,834	1,225
UTSWMC	6,937,127	3,479,671	3,457,456	1,104,634
UTMB	4,551,443	2,048,422	2,503,021	799,698
UTHSCH	7,001,732	2,632,141	4,369,591	1,396,055
UTHSCH Medical Foundation	2,675,950	1,005,962	1,669,988	533,550
UTHSCSA	5,110,264	1,798,910	3,311,354	1,057,955
UTMDACC	3,643,826	1,615,231	2,028,595	648,123
UTHSCT	490,072	86,020	404,052	129,092
<b>Subtotal</b>	<b>\$ 31,584,223</b>	<b>\$ 12,804,487</b>	<b>\$ 18,779,736</b>	<b>\$ 6,000,000</b>
<b>TOTAL PROPOSED DISTRIBUTION</b>				<b>\$ 6,000,000</b>

3. **U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding a) allocation and authorization of expenditure of \$10 million of institutional funds to Harris Health System solely for the design and construction of expanded oncology facilities at the Lyndon Baines Johnson Hospital; b) based on a successful philanthropic campaign, allocation and authorization of expenditure of up to \$37 million of institutional funds to Harris Health System solely for the build-out of the radiation oncology facility and expanded oncology facilities at the Lyndon Baines Johnson Hospital; c) authorization to license its name to Harris Health System for purposes of branding or co-branding the oncology facilities at the Lyndon Baines Johnson Hospital; d) delegation of authority to the President of UTMDACC to execute related documents and take other action necessary; and e) finding of public purpose**

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs *ad interim*, the Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, and the institutional president that the U. T. System Board of Regents:

- a. to authorize allocation and expenditure of \$10 million from unrestricted institutional funds to Harris Health System solely for the design and construction of expanded oncology facilities at the Lyndon Baines Johnson Hospital (LBJ Hospital), with the understanding that no state-appropriated funds or tuition revenues will be used;
- b. based on a successful philanthropic campaign, to authorize allocation and expenditure of up to \$37 million from unrestricted institutional funds to Harris Health System solely for the build-out of the radiation oncology facility and expanded oncology facilities at the LBJ Hospital, with the understanding that no state-appropriated funds or tuition revenues will be used;
- c. to authorize U. T. M. D. Anderson to license its name to Harris Health System for purposes of branding or co-branding the oncology facilities at the LBJ Hospital;
- d. to delegate authority to the President of U. T. M. D. Anderson Cancer Center to execute all documents, instruments, and other agreements and to take all further actions deemed necessary to carry out the purpose and intent of the foregoing actions, following review and approval by the Chancellor, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel; and
- e. to make a finding that the proposed expenditures and the licensing of U. T. M. D. Anderson's name for branding and co-branding the oncology facilities at the LBJ Hospital (i) supports the public mission of and serves public purposes appropriate to the functions of U. T. M. D. Anderson Cancer Center, (ii) is structured with adequate safeguards, and controls in place to ensure the public purpose will continue to be met on an ongoing basis, and (iii) will result in adequate consideration and benefits to U. T. M. D. Anderson Cancer Center and to Harris Health's underserved population.

## BACKGROUND INFORMATION

U. T. M. D. Anderson Cancer Center began collaborating with Harris Health System's Lyndon Baines Johnson Hospital (LBJ Hospital) in 1995. Since that time, U. T. M. D. Anderson has provided medical oncology services for patients being treated at the LBJ Hospital. Today, U. T. M. D. Anderson resources dedicated to the LBJ Hospital include 15 faculty, five advanced practice providers, two genetic counselors, and four pharmacists. This collaboration provides the opportunity for the LBJ Hospital patients to receive state of the art medical oncology care and provides U. T. M. D. Anderson with educational and clinical research opportunities and the opportunity to directly care for Harris County's underserved population.

At present, medical and surgical oncology services are provided on site at the LBJ Hospital. There are, however, no radiation oncology services offered at the LBJ Hospital. Patients requiring these services must travel to a site adjacent to the Texas Medical Center. This trip can take more than two hours via public transportation, which is inconvenient at best and, at worst, may lead some patients to forgo appropriate multidisciplinary care.

To better serve these patients, U. T. M. D. Anderson proposes to expand the service offerings at the LBJ Hospital by providing financial assistance to Harris Health System to construct an onsite radiation oncology facility at the LBJ Hospital. U. T. M. D. Anderson seeks to grant \$10 million to partially fund the construction of such a facility. Additionally, U. T. M. D. Anderson seeks to embark on a philanthropic campaign, in collaboration with Harris Health System, to raise approximately \$37 million for Harris Health System to fully fund the build-out of the radiation oncology facility along with expanded oncology clinics, infusion therapy, laboratory medicine and pharmacy. U. T. M. D. Anderson will provide the professional staff for these expanded facilities, which will be owned and operated by Harris Health System.

The activities proposed above are ensured to serve a public purpose based on the following:

1. The expenditure under the proposed collaboration has a predominantly public purpose because it is to an entity, the inherent mission of which, is a public purpose. More specifically, Harris Health System is a public hospital district providing care to residents of Harris County. Harris Health System's stated mission is "improving the health of those most in need in Harris County through quality care delivery, coordination of care, and education." Approximately 60% of care provided by Harris Health System is to the uninsured; 20% to Medicaid and the Children's Health Insurance Program patients; 9.5% to Medicare patients; 10% to commercial/other funded patients. The proposed project will provide underserved patients with access to cancer care that would not otherwise be available.
2. U. T. M. D. Anderson will retain sufficient control over its contribution to Harris Health System to ensure the public purpose is accomplished. U. T. M. D. Anderson will negotiate multiple agreements with Harris Health System to memorialize the obligations associated with the collaboration, including grant agreements that will act as mechanisms for providing funds to Harris Health System. Payments to Harris Health System will be based on milestones achieved with audit and claw-back rights for U. T. M. D. Anderson if the funds are not used in furtherance of the defined project.

3. U. T. M. D. Anderson will obtain return benefits from the collaboration through expanded educational and clinical research opportunities and by being able to provide more extensive health care in a high-quality facility to an underserved population of Harris County. Providing cancer care to this population aligns with U. T. M. D. Anderson's mission.

4. **U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding authorization a) to participate as a member of Alliance of Dedicated Cancer Centers, Inc. (ADCC), b) to pay dues and other assessments to ADCC when due, c) for U. T. M. D. Anderson Cancer Center employees to serve on an uncompensated basis as U. T. M. D. Anderson Cancer Center's director on the board of ADCC, d) for U. T. M. D. Anderson Cancer Center employees to serve, from time to time, on an uncompensated basis as officers of ADCC when and if elected, and e) delegation of authority to the President to execute documents and take other actions as necessary, following final review and approval**

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs *ad interim*, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, and the institutional president that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center

- a. to participate as a member of Alliance of Dedicated Cancer Centers, Inc. (ADCC)
- b. to pay dues and other assessments to ADCC when due;
- c. for U. T. M. D. Anderson employees to serve on an uncompensated basis as U. T. M. D. Anderson's director of the board of ADCC;
- d. for U. T. M. D. Anderson employees to serve, from time to time, on an uncompensated basis as officers of ADCC when and if elected; and
- e. to delegate authority to the President of U. T. M. D. Anderson Cancer Center or his delegate to execute all documents, instruments, and other agreements, following review and final approval by the Chancellor, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel, and to take all further actions necessary or advisable to carry out the purpose and intent of the foregoing actions and to accomplish the foregoing transactions.

#### BACKGROUND INFORMATION

The Alliance of Dedicated Cancer Centers, Inc. currently exists and operates as an informal organization of the nation's top cancer centers. ADCC was created in approximately 1986 shortly after Congress passed legislation establishing a different method of paying the costs of care at these highly specialized institutions, exempting them from the Diagnosis Related Groups' payment system that covers medical care providers that treat all types of diseases. At that time, eight of the nation's leading cancer centers, including U. T. M. D. Anderson, formed the ADCC. In subsequent years, additional members joined and there are currently 10 members. To facilitate and enhance the collective operations of the ADCC, the members now wish to formalize the organization by forming a non-profit 501(c)(6) trade association under the laws of the State of Delaware.

5. **U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding a) proposed participation as a special limited partner in the Focus Fund, L.P., b) use of U. T. M. D. Anderson Cancer Center names, logos, and trademarks in association with the Focus Fund, and c) delegation of authority to the President to execute documents and take other actions as necessary, following final review and approval**

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs *ad interim*, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, and the institutional president that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center:

- a. to participate as a special limited partner in an investment fund initiated by U. T. M. D. Anderson Cancer Center and to be known as the Focus Fund, L.P.;
- b. to use U. T. M. D. Anderson Cancer Center names, logos, and trademarks in association with the Focus Fund, L.P.; and
- c. to delegate authority to the President of U. T. M. D. Anderson Cancer Center or his delegate to execute all documents, instruments, and other agreements, following review and final approval by the Chancellor, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel, and to take all further actions necessary or advisable to carry out the purpose and intent of the foregoing actions and to accomplish the foregoing transaction.

#### BACKGROUND INFORMATION

The Focus Fund, L.P. (the Fund) is being created as an independent, privately sponsored venture capital fund to make investments with respect to biotech companies with promising late pre-clinical to early clinical oncology assets. The Fund's capital will be primarily used to finance the advancement of oncology assets through clinical trials conducted at U. T. M. D. Anderson Cancer Center. Transaction documents are substantially complete and agreed to by the principals. The Fund has \$25 million in commitments as of July 24, 2019.

Early stage biotechnology companies all over the world are seeking to partner with U. T. M. D. Anderson to perform first-in-human clinical trials with their novel cancer drugs. Additionally, these companies often need help from U. T. M. D. Anderson to conduct or confirm pre-clinical results and to develop assays or biomarkers that will aid in the development of potentially life-saving drugs. Human clinical trials are expensive and many small biotech companies do not have adequate resources to undertake the clinical development of the assets in a thoughtful and comprehensive manner. Given the early stage of these companies and the significant cost to conduct a human clinical trial, many highly promising drugs are unable to move forward while the company's founders seek funding, which can take months or years. As a result, the unfortunate reality is that very promising drugs are under-developed or in some

cases, not developed at all. It is these drugs that the Fund will target. Specifically, with capital from third party investors, the Fund will provide funding at appropriate risk-adjusted rates for clinical trials of drugs about to enter clinical trials.

U. T. M. D. Anderson Cancer Center has negotiated in an arms-length transaction its participation as a special limited partner (although U. T. M. D. Anderson would not be investing any money in the Fund.) Other Limited Partners would invest capital in the Fund in the expectation of a return comprised of the cash flows that would arise from the monetization of each one of the assets in which the Fund has invested. The initial term of the Fund would be 10 years, although earlier returns are expected.

The duties and privileges of U. T. M. D. Anderson Cancer Center as the special limited partner will be:

- A stake in the Fund, in exchange for a discount in the provision of services to the Fund (primarily clinical trials). It would also receive consulting and administrative fees from the General Partner.
- Formation of a Scientific Advisory Board. U. T. M. D. Anderson scientists would preselect and rank all the drugs of which it is aware on a worldwide basis and establish the threshold of what drugs are eligible for consideration by the Investment Committee.
- The Investment Committee, formed by members of the General Partner and special advisors of world renown - but not U. T. M. D. Anderson itself, to minimize conflict of interest issues - would select the drugs into which the Fund would make an investment.
- For those companies and drugs, U. T. M. D. Anderson would conduct the clinical trials under strict additional conflict of interest guidelines. U. T. M. D. Anderson would not benefit from the success of an individual drug, but it would have upside if the Fund's investments are successful.

From U. T. M. D. Anderson Cancer Center's perspective, participation in the Fund is attractive and beneficial because:

1. U. T. M. D. Anderson would not have to invest any capital in the Fund.
2. U. T. M. D. Anderson would have access to novel agents from around the world that it otherwise would not have had access to, to the benefit of U. T. M. D. Anderson's clinicians and scientists.
3. Participation in the Fund would increase the number of clinical trials performed at U. T. M. D. Anderson and the number of drugs that are developed at U. T. M. D. Anderson and provide further meaningful research and development opportunities for U. T. M. D. Anderson faculty.

It is believed that the Fund will be successful and attractive to investors and drug owners because:

1. The scientific resources of U. T. M. D. Anderson would be dedicated to finding, triaging, and developing drugs that are undervalued.
2. Financial resources would be employed at the premier cancer center in the world, ensuring that the very best scientists would come with a state-of-the-art development plan, which would give each drug the highest chance of success.
3. Investment by the Fund would be tailored to each drug. It may or may not involve an equity investment in the corporate structure of the owner of the drug, and it could be comprised of milestones and/or royalties upon commercialization. This would allow drugs to be developed that otherwise may not have had a chance due to unorthodox or imperfect corporate structures of the company that has the rights to the drug. Moreover, investors could avail themselves of a broad range of exit strategies, unlike traditional funds that always obtain equity in the companies in which they invest and suffer from very long-term horizons and large amounts of uncertainty.
4. Small biotech companies that are outside of the traditional financing centers (e.g., New York, Boston, and San Francisco) and struggling to finance the development of novel drugs could avail themselves through the Fund to highly differentiated and advantageous mechanisms to advance assets, without sacrificing a large amount of equity in the company or agreeing to a sub-optimal early licensing deal with pharmaceutical companies.