

**Texas Health-Related Institutions  
Funding Formulas  
For the  
2018-2019 Biennium**

**Recommendations  
Of the  
Health-Related Institutions  
Formula Advisory Committee  
(HRIFAC)**

**December 2, 2015**

# **Health-Related Institutions Formula Advisory Committee Recommendation Report for 2018-2019 Biennium**

In accordance with the biennial Formula Advisory Committee process, the Health-Related Institutions (HRIs) submitted their report for consideration by the Commissioner of the Texas Higher Education Coordinating Board (THECB).

## **Background**

The Commissioner of the THECB delivered his charge to the HRIs Formula Advisory Committee (HRIFAC) at its first meeting on August 12, 2015 (Attachment A). The HRIFAC held three additional meetings from September 2015 through November 2015 to consider and discuss the Commissioner's charges. Attachment B provides a list of the current HRIFAC members. Attachment C contains the committee minutes from each meeting.

## **Executive Summary**

The HRIs are the primary producers of the state's physicians, nurses, dentists, pharmacists, public health leaders, biomedical scientists, and allied health professionals. The population of Texas, per the 2015 U.S. Census updated projection, experienced the largest population growth among all states at 1.8 million more people and the third fastest growth rate at 7.2 percent since 2010 – only outpaced by small population centers North Dakota and Washington, DC. Texas is still facing workforce shortages in many of the health professions. This population growth will likely continue to stress our state's capacity to meet the healthcare needs and demands of our citizens, currently and in the future.

Training a healthcare workforce in this environment of continuing growth and increasing need will increase pressure on HRIs in Texas. However, these pressures are occurring at the same time that critical funding for students, space, research, and residents is declining.

Here are some key Texas facts to consider when assessing the state's healthcare workforce shortages and needs:

- Texas currently ranks 42nd, down from 41<sup>st</sup> in 2013, in the U.S. in numbers of active, patient care physicians per 100,000 population. Despite an overall increase of over 3,300 (or almost 6% more) new physicians into Texas since 2013<sup>1</sup>, the state ranking declined slightly.
- Texas ranks 47th, unchanged from 2013, in the number of active, patient care, primary care physicians per 100,000 population. Again, despite over 1,000 (or nearly 6%) more primary care physicians added to the state since 2013, Texas' comparative U.S. ranking remains very low.<sup>1</sup>

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<sup>1</sup> Association of American Medical Colleges (AAMC) (2015) *State Physician Workforce Data Book*

- Texas ranks 2<sup>nd</sup> overall in physicians retained in the state who completed undergraduate medical education (UME) within the state, at 59.7%, unchanged from 2013.<sup>1</sup>
- Texas ranks 5<sup>th</sup> in physicians retained who completed graduate medical education (GME) within the state, at 58.2%, unchanged from 2013.<sup>1</sup>
- Texas ranks 3<sup>rd</sup> in physicians retained that completed both UME and GME within the state, at 80.6%, unchanged in 2013.<sup>1</sup>

Taken together, the last three points above suggest that Texas' physician workforce challenges are much less about undergraduate medical and resident retention within the state and more about Texas' continued, significant population growth and the sufficiency of Texas' absolute numbers of medical graduates and residents.

- Texas ranks 43<sup>rd</sup> in the number of registered nurses per 100,000 population.<sup>2</sup>
- Nearly 85% of the public health workforce in Texas has no formal, professional public health training.<sup>3</sup>
- Texas ranks 44<sup>th</sup> in the number of dentists per 10,000 population.<sup>4</sup>
- Texas' three schools of dentistry rank first, second, and third in the nation in retaining their graduates in state.<sup>5</sup>

Given the cuts in per unit formula funding in recent biennia, institutions face the difficult task of maintaining quality programs and expanding to address these critical shortages and limitations. It is imperative for Texas to restore per-unit funding, back to the original formula funding rates of the 2000-01 biennium.

The state's HRIs are under great pressure as they stretch to support Texas' workforce needs and to provide excellence in healthcare-related education, research, and service with the diminishing levels of per-unit support. HRIs have reduced state-funded administrative staff, increased deferred maintenance, and limited or postponed new programs in order to continue to produce a quality healthcare workforce. Institutions are leveraging local funding sources, including institutional reserves and clinical enterprise revenue needed for patient care, in order to offset formula reductions.

External factors are likely to limit the abilities of HRIs to continue absorbing costs related to the increasing gaps between formula funding rates and associated actual costs. HRIs' clinical enterprises also face major funding uncertainties with the implementation of healthcare reform legislation. Anticipated declines in sponsored research funding levels may require HRIs to provide additional "bridge" funding for faculty researchers' salaries and research operations to

<sup>2</sup> Kaiser Family Foundation, Statehealthfacts.org, U.S. Bureau of Labor Statistics and 2010 U.S. Census Data

<sup>3</sup> The Future of Public Health in Texas: A Report by the Task Force on the Future of Public Health in Texas

<sup>4</sup> *Health, United States, 2010*, Centers for Disease Control and Prevention, National Center for Health Statistics

<sup>5</sup> Vujicic M., Where do dental school graduates end up locating, JADA. 2015; 146(10): 775-777

retain productive researchers until they obtain additional external funding. This is most often a cost-effective alternative to avoid program closures and the need to recruit new and more costly faculty in the future.

For the FY2018-19 biennium, we recommend that Texas continue the process of restoring the per-unit rates of funding back to the 2000-01 levels through increasing the I&O, Infrastructure, and Research Enhancement formulas by an increment equivalent to one-third of the difference between the 2016-17 and 2000-01 biennium rates. Additionally, we recommend GME funding at the same rate recommended for the 2016-17 biennium. See recommendation details below:

<b><u>2018-19 Biennium Recommendation</u></b>	<b>FY 2000-01</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>
<b>Instruction &amp; Operations (I&amp;O)</b>				
<b>Funding Rate</b>	\$ 11,383	\$ 9,527	\$ 9,829	\$ 10,347
<b>Infrastructure Rate</b>				
<b>All Other HRIs</b>	\$ 11.18	\$ 6.63	\$ 6.65	\$ 8.16
<b>UTMDACC &amp; UTHSCT</b>	\$ 10.68	\$ 6.09	\$ 6.26	\$ 7.73
<b>Research Enhancement Rate</b>	2.85%	1.22%	1.23%	1.77%
<b>Graduate Medical Education Rate</b>	N/A	\$ 5,122	\$ 6,266	\$ 8,444

None of the figures above reflects any adjustment for purchasing power changes over the past sixteen years since the funding formulas were established.

Enrollment, research, and infrastructure growth without adequate formula funding carries the potential risk of quality erosion. The path to reduced quality is short but restoring lost quality education, research, and infrastructure takes much longer. Without additional funding sufficient to support both the growth of existing HRIs as well as the new medical schools in the 2018-19 biennium, rates for all formulas will significantly decline as reflected below.

<b><u>Without Additional Funding</u></b>	<b>FY 2016-17</b>	<b>FY 2018-19 <sup>(1)</sup></b>	<b>FY 2018-19 <sup>(2)</sup></b>
<b>Instruction &amp; Operations (I&amp;O)</b>			
<b>Funding Rate</b>	\$ 9,829	\$ 9,458	\$ 9,383
<b>Infrastructure Rate</b>			
<b>All Other HRIs</b>	\$ 6.65	\$ 6.37	\$ 6.19
<b>UTMDACC &amp; UTHSCT</b>	\$ 6.26	\$ 6.04	\$ 5.83
<b>Research Enhancement Rate</b>	1.23%	1.22%	1.06%
<b>Graduate Medical Education Rate</b>	\$ 6,266	\$ 6,345	\$ 6,072

<sup>(1)</sup> Rate Resulting from Projected Growth in Existing HRIs, but without new Funding

<sup>(2)</sup> Rate Resulting from Projected Growth in Existing HRIs plus new Medical Schools, but without new Funding

Such declines in funding would seriously limit the ability of HRIs to meet the goals outlined in the Coordinating Board's *60x30TX* strategic plan for higher education.

## Report and Committee Recommendation

HRIs are funded by four primary formulas: *Instruction and Operations (I&O)*, *Infrastructure, Research Enhancement* (all implemented by the 76<sup>th</sup> Legislature), and *Graduate Medical Education* (GME) (established by the 79<sup>th</sup> Legislature). The University of Texas M. D. Anderson Cancer Center (UTMDACC) and The University of Texas Health Science Center at Tyler (UTHSC-Tyler) have additional formulas that reflect their unique missions:

- The 80<sup>th</sup> Texas Legislature converted the UTMDACC Mission-Specific formula into a new "Cancer Center Operations formula."
- The 81<sup>st</sup> Legislature converted the UTHSC-Tyler Mission-Specific formula into a new "Chest Disease Center Operations formula."

To meet the educational needs of Texas' growing and diverse population and to meet the state's demands for healthcare, it is important that the Legislature fund the four HRI formulas at levels that address the requirements of the *60x30TX* higher education strategic plan.

Since the establishment of HRI formula funding in 1999 for the 2000-01 biennium the Texas Legislature has increased appropriations for HRI formula funding; however, funding per Full Time Student Equivalent (FTSE), per predicted square foot, and per research dollar expended has declined as follows:

<b>Funding Per Unit</b>	<b>FY 2000-01</b>	<b>FY 2016-17</b>	<b>% Change</b>
Full Time Student Equivalent (FTSE)	\$ 11,383	\$ 9,829	(14%)
Per Square Foot -			
HRIs except UTMDACC & UNTHCT	\$ 11.18	\$ 6.65	(41%)
UTMDACC/UTHSC-Tyler	\$ 10.68	\$ 6.26	(41%)
Research Dollars Expended	2.85%	1.23%	(57%)

The Graduate Medical Education (GME) formula did not exist at the inception of HRIs' formula funding in 2000. Even with the recent increase, funding levels are insufficient to cover the costs of residency education and program administration, estimated to approach \$15,000 per resident per year.

Despite these per-unit reductions in funding, HRIs have made important progress in increasing enrollment and research to serve the workforce and healthcare needs of Texas. However, they have done so by using funds from other sources, including institutional funds; they have also deferred new programs, limited other programs, and delayed investments in technology and facilities infrastructure renewal. All of these factors have hampered education and enrollment growth.

Two new medical schools have been established in Texas. First, in the 83<sup>rd</sup> Legislative Session, the Texas Legislature authorized the creation of The University of Texas Rio Grande Valley (UTRGV) School of Medicine. Secondly, The University of Texas System authorized, and The University of Texas at Austin established, the Dell Medical School. These are the first medical schools created within general academic institutions (GAI) since the HRI formulas were developed and implemented. The HRIFAC deliberated regarding the appropriate funding option for these new schools considering the inclusion of these medical schools within the GAI formulas or within the HRI formulas. The recommendation set forth by the HRIFAC in this report for funding these new medical schools was not unanimous.

It is recommended that these two schools be included in the existing HRI formula funding models for I&O, infrastructure, research, and graduate medical education such that funding for each medical school is consistent with the principles and funding levels for the other medical school programs included in the existing formulas. This will require that additional incremental funding from the Legislature be added to the HRI formula funding pool, while applying the recommended 2018-19 rates, to fund growth for existing HRIs and the two new medical schools. The table below shows a detailed comparison of the HRIs' formula funding amounts for 2016-17 (historical) and amounts recommended for 2018-19, which include the two new medical schools.

	Per Unit Growth Existing HRIs	Per Unit Growth w/ New Schools	FY 2016-17 Appropriations	FY 2018-19 Requested	\$ Change	% Change
Instruction & Operations Formula	3.82%	4.22%	\$ 1,170,698,696	\$ 1,286,894,426	\$ 116,195,730	9.93%
Infrastructure Formula	4.21%	7.45%	265,414,098	350,564,702	85,150,604	32.08%
Research Enhancement Formula	1.26%	2.08%	74,562,294	101,834,078	27,271,784	36.58%
<b>Total</b>			<b>\$ 1,510,675,088</b>	<b>\$ 1,739,293,206</b>	<b>\$ 228,618,118</b>	<b>15.13%</b>
Mission Specific	3.82%	4.22%	\$ 323,162,046	\$ 355,236,952	\$ 32,074,906	9.93%
Graduate Medical Education	3.20%	3.20%	70,249,148	97,700,292	27,451,144	39.08%
<b>Total All Formulas</b>			<b>\$ 1,904,086,282</b>	<b>\$ 2,192,230,450</b>	<b>\$ 288,144,168</b>	<b>15.13%</b>

The table below details recommended 2018-19 funding amounts for HRIs and the two new medical schools.

	Per Unit Growth	Per Unit Growth	FY 2016-17 Appropriations	FY 2018-19 Requested	\$ Change	% Change
<b><u>Existing HRIs</u></b>						
Instruction & Operations Formula	3.82%	4.22%	\$ 1,170,698,696	\$ 1,277,059,010	\$ 106,360,314	9.09%
Infrastructure Formula	4.21%	7.45%	265,414,098	339,849,056	74,434,958	28.04%
Research Enhancement Formula	1.26%	2.08%	74,562,294	95,638,296	21,076,002	28.27%
<b>Total</b>			<b>\$ 1,510,675,088</b>	<b>\$ 1,712,546,362</b>	<b>\$ 201,871,274</b>	<b>13.36%</b>
Mission Specific	3.82%	4.22%	\$ 323,162,046	\$ 355,236,952	\$ 32,074,906	9.93%
Graduate Medical Education	3.20%	3.20%	66,539,954	92,549,282	26,009,328	39.09%
<b>Total- All Formulas HRIs</b>			<b>\$ 1,900,377,088</b>	<b>\$ 2,160,332,596</b>	<b>\$ 259,955,508</b>	<b>13.68%</b>
<b><u>New Medical Schools</u></b>						
Instruction & Operations Formula			\$ -	\$ 9,835,416	\$ 9,835,416	
Infrastructure Formula			-	10,715,646	10,715,646	
Research Enhancement Formula			-	6,195,782	6,195,782	
<b>Total</b>			<b>\$ -</b>	<b>\$ 26,746,844</b>	<b>\$ 26,746,844</b>	
Mission Specific			\$ -	\$ -	\$ -	
Graduate Medical Education		3.20%	3,709,194	5,151,010	1,441,816	38.87%
<b>Total- All Formulas 2 New Medical Schools</b>			<b>\$ 3,709,194</b>	<b>\$ 31,897,854</b>	<b>\$ 28,188,660</b>	
<b>Total- All Formulas (HRIs &amp; 2 New Medical Schools)</b>			<b>\$ 1,904,086,282</b>	<b>\$ 2,192,230,450</b>	<b>\$ 288,144,168</b>	<b>15.13%</b>

The above amounts apply the recommended 2018-19 rates and reflect a 13.68% increase in formula funding for HRIs and a 15.13% overall increase in funding when including the two new medical schools using existing formulas.

Texas' significant population growth is challenging the health education system that delivers professionals to the healthcare front line. To address this challenge and meet the health education needs of a growing Texas, funding sources and methodologies must supply equitable, predictable, and reliable support for the existing, developing, and evolving institutions stepping up to meet those needs. To that end, we encourage the Texas legislature to dedicate the necessary resources and examine alternatives beyond existing methodologies to meet this critical state need now and into the future.

In this report, only "All Funds" figures are used; General Revenue and General Revenue-Dedicated Funds are a subset of "All Funds" and this report does not detail those amounts. This approach is consistent with the historical Committee and Coordinating Board approach on providing formula recommendations. The Instruction and Operations and the Infrastructure formulas use an "All Funds" method of finance where approximately 90-95 percent of the formula is General Revenue and the balance is General Revenue-Dedicated Funds (certain tuition and fee revenue). General Revenue funds other formulas entirely.

The following sections discuss detailed rates and other information:

### **Instruction and Operations (I&O) Formula**

The Instruction and Operations formula provides support for the Instruction, Academic Support, Student Services, and the Institutional Support categories. The I&O formula rate recommended for the *60x30TX* higher education strategic plan for FY 2018-19 is \$10,347.

Current funding for students' education and training is provided through the I&O formula, the largest of the formulas or 77.5 percent of the main formulas funding HRIs. A base rate is established and FTSE weights are assigned, dependent on the student's particular program of study (e.g., medicine, nursing, dentistry, etc.).

The per FTSE I&O formula funding rate has decreased 14 percent between the 2000-01 and 2016-17 biennia (even before considering purchasing power reductions). During the same period, HRIs have served the needs of Texans by increasing their enrollment of medical and health professionals by 96 percent to help address the state's participation and success goals in the *60x30TX* higher education strategic plan. Continuation of this increasing divide between FTSE growth and funding per FTSE is not in the best interest of the State of Texas.

While HRIs are grateful for the significant investment in I&O, at the current rate of funding – \$9,829 per "base" FTSE per year – fully achieving the goals of *60x30TX*, as well as serving the increasing demands for healthcare in Texas, is not attainable. HRIs continue to explore and implement cost-effective and efficient methods to educate quality healthcare professionals. However, costs savings from increases in scale (i.e., enrollment increases) are limited by the nature of healthcare education. Such limitations include costs associated with required faculty supervision and monitoring ratios in clinical settings, additional laboratory facility requirements, and the costs of additional clinical training settings for students.

Texas is one of the fastest growing states in the U.S. in terms of population. At the same time, Texas has experienced significant growth in the number of physicians practicing in the state. From U.S. Census estimates, Texas' population has increased by over 2.5 million people, or 10.9%, from 2006 to 2012. During this same period, the number of "active physicians" in the state has increased by 16.7% (or nearly 8,000). In addition, the number of "active patient care physicians" has increased by 11.6% (or 5,000 physicians) since 2009, the first year for this data. This has led to Texas improving from 46th to 41st among U.S. states, in terms of active physicians per 100,000 population.

### ***AAMC State Physician Workforce Data***

<b>Data Book Year</b>	<b>2009</b>	<b>2011</b>	<b>2013</b>	<b>2015</b>	<b>% Inc</b>
Texas population	24,326,974	25,213,445	26,059,203	26,956,958	10.80%
Texas Active Patient Care Physicians	42,649	44,395	47,586	51,430	20.60%
Active Patient Care Physicians Rank (per 100k population)	46	46	41	42	

Note: The AAMC issues its *The AAMC Physician Workforce Data Book* in its current form every other year, since 2007. The data represented is through the year prior to the issuance of the data book, i.e. 2015 includes 2014 data. The AAMC first tracked "Active patient care physicians" in the 2009 report, and the stated percent increase is from 2009-2015.

### **Recommendation:**

The committee recommends that the Legislature add additional funds equivalent to one-third of the difference between the 2016-17 and 2000-01 biennium rates per FTSE in the next biennia as follows:

	<b>FY 2000-01</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>
<b>I&amp;O Funding Rate</b>	<b>\$ 11,383</b>	<b>\$ 9,527</b>	<b>\$ 9,829</b>	<b>\$ 10,347</b>

The committee recommends that the Legislature calculate both base student population and the growth according to the most updated FTSE student count (or spring enrollment) at the recommended base rate (\$10,347) and multiply it by the discipline weights. This calculation will ensure and maintain the base rates at the recommended dollar value when growth is considered.

### **Infrastructure Formula**

The Infrastructure Support formula for plant support and utilities for HRIs calculates funding by using the predicted square feet<sup>5</sup> for the HRIs produced by the Space Projection Model. Currently in the Space Projection Model, all HRIs are functioning with a deficit in predicted square feet versus actual square feet. Because the Space Projection Model does not account for hospital space, separate infrastructure funding for hospital space at The University of Texas Medical Branch at Galveston, UTMDACC, and UTHSC-Tyler are included in the total funding for hospital and patient care activities. It currently represents 17.6 percent of the total for the main formulas funding HRIs.

<sup>5</sup> "Clinical Space" included in the Space Projection Model, is the actual educational and general (E&G) clinical space devoted to the diagnosis and care of patients in the instruction of health professions and allied health professions.



The predicted square footage is based on five factors (teaching, research, office, clinical and support), making it the one formula that truly reflects the complexity of the HRIs. Current infrastructure funding levels only partially cover utility, facility support, and routine maintenance costs. Increased infrastructure rates would allow institutions to address deferred maintenance (which ultimately extends the life of current facilities, a much less expensive alternative to replacing facilities entirely).

When the infrastructure formula was established, a lower rate was set for UTMDACC and UTHSC-Tyler because they did not contribute tuition and fees to the formula. UTMDA has enrolled students since FY 2002 and contributed tuition and fees in the method of finance for the infrastructure formula since FY 2004. In FY 2012 UTHSC-Tyler enrolled students and contributed tuition and fees to the formula in FY 2016.

**Recommendation:**

The committee recommends that, in the next biennia, the Legislature add additional funds equivalent to one-third of the difference between the 2016-17 and 2000-01 biennium rates as follows:

	<b>FY 2000-01</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>
	<b>Rates</b>	<b>Rates</b>	<b>Rates</b>	<b>Rates</b>
<b>All Other HRIs</b>	\$ 11.18	\$ 6.63	\$ 6.65	\$ <b>8.16</b>
<b>UTMDACC &amp; UTHSC-T</b>	\$ 10.68	\$ 6.09	\$ 6.26	\$ <b>7.73</b>

**Research Enhancement Formula**

Under the current Research Enhancement formula, each HRI annually receives research enhancement funding in the base amount of \$1,412,500 plus an amount equal to 1.23 percent of each institution's research expenditures (as reported to the THECB). The current Research Enhancement formula represents 4.9 percent of the total for the main formulas funding HRIs. While the base amount of this formula has not changed since the inception of the formulas, the rate has decreased from 2.85 percent to the current level of 1.23 percent, a 57 percent overall decline. The committee believes that this generates a relatively small amount of research funding when considering the positive impact research outcomes have on the state and the ability of the HRIs to leverage state dollars. The committee believes that this reduction impedes research growth and achievement of the state's excellence and research goals for the *60x30TX* higher education strategic plan.

**Recommendation:**

Consistent with the formula recommendations above, the committee recommends and requests that the Legislature add additional funds equivalent to one-third of the difference between the 2016-17 and 2000-01 biennium rates in the next biennia (see table below). Doing so would enhance the research capabilities of the HRIs.

	<b>FY 2000-01</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>
<b>Research Enhancement Rate</b>	2.85%	1.22%	1.23%	<b>1.77%</b>

Most HRIs conduct significant levels of research, which drives new and innovative approaches in medicine and clinical care, benefiting the citizens of Texas. By supporting research, this funding also supports economic growth more generally for the state.

## Mission Specific Formula

Since UTMDACC and UTHSC-Tyler do not provide formal medical education, which qualifies for instruction support under the I&O Support formula, funding for I&O support is allocated to these institutions based on separate criteria. Mission-Specific Support recognizes the patient care, research, and training programs that take place at these institutions. The 77th Legislature established the Mission Specific formulas.

The 80th Legislature refined the "Cancer Center Operations Formula" for UTMDACC to provide funding for its patient care mission based on the total number of Texas cancer patients served. The funding requirement placed on this formula by Article III, Section 28, Special Provisions, Paragraph 9, Mission Specific states, "For formula funding purposes, the amount of growth in total funding from one biennium to another may not exceed the average growth in funding for Health Related Institutions in the Instruction and Operations formula for the current biennium."

### **Recommendation:**

In accordance with the above requirement, the committee recommends that funding for UTMDACC and UTHSC-Tyler be increased by the "average growth in funding" recommended for the I&O formula.

## Graduate Medical Education (GME) Formula

A separate HRI formula for GME started in 2006-07. The committee notes that the current level of funding for the GME formula covers less than one-third of the full GME education costs that the Coordinating Board estimated in 2004. Initially, the GME formula funding was \$25 million, resulting in a rate of \$2,340 per resident. In subsequent biennia, additional funds were added to the formula to approach the education costs estimated by the Coordinating Board. However, the current level of \$6,266 per resident in 2016-17 falls short of the \$15,000 required to support resident education.

### **Recommendation:**

Given the importance of residency positions in retaining graduating residents in the state, the committee recommends that the GME rate for formula funding for the 2018-19 biennium increase by an additional 34.77%, which was the committee's requested level for 2016-17.

	<b>FY 2006-07</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>
<b>Graduate Medical Education</b>	<b>\$ 2,340</b>	<b>\$ 5,122</b>	<b>\$ 6,266</b>	<b>\$ 8,444</b>

## Goals of 60x30TX

The HRIs across Texas support the goals of the Coordinating Board's 60x30TX higher education strategic plan. Although the GAIs and the Community and Technical Colleges may play a bigger role, Texas HRIs are committed to assisting the Coordinating Board in meeting the goals of 60x30TX.

To reach the 60x30TX goals, HRIs will continue to develop approaches to ease the transition from undergraduate to graduate studies. Already in place are accelerated programs and on-line course offerings, which improve access and appeal to a broader spectrum of students, especially adult learners. Furthermore, HRIs expect to continue to experience increased

enrollment throughout most health-related programs. Graduates of HRIs have some of the most valued and marketable skills across Texas. The majority of the disciplines within the Health Science area are in high demand, as there are shortages of providers and other healthcare professionals across much of Texas. As the demand for increased skills and specialties continues to grow in the healthcare field, the occupations that align with HRI programs are likely to continue.

In 2007, the HRIFAC formulated a plan to help close the formula funding gap. This initiative was focused on restoring prior formula funding rates to enable HRIs to receive sufficient resources to meet the established educational goals of *Closing the Gaps*. The committee has chosen to continue this plan for the 2018 – 2019 biennium, which it believes will assist the State in meeting the goals of *60x30TX*.

### **Report and Recommendation Summary**

The Legislature did not implement the Health-related funding formulas as originally envisioned by the 76<sup>th</sup> Legislature. Current HRI formula funding is already largely “outcome-based” because of our high graduation rates and rapidly expanding research enterprises. Therefore, the structure of existing formulas is appropriate. However, HRI formulas’ current implementation serve as a means for allocating available General Revenues. Using the formulas as an allocation vehicle has resulted in a significant reduction in formula funding rates at a time of substantial growth in formula indicators, or “drivers” (i.e., numbers of students, predicted square feet, research expenditures) at HRIs. Current funding levels place institutions at risk of compromising excellence to meet costs. Continued growth in enrollments and research prowess without additional funding, as well as stable per-unit state contributions, may negatively affect teaching capacity and accreditation and will increase the backlog of deferred maintenance

It is critically important to note that the committee’s recommendation applies to all formula funding areas – Instruction & Operations, Infrastructure, Research Enhancement, and Graduate Medical Education, not just to the Instruction & Operations formula, and takes into consideration the overall increase in total funding required to support growth at existing HRIs as well as the two new medical schools. The committee’s plan historically consisted of restoring the formula’s per-unit funding rates over multiple biennia to the 2000-01 level (without any adjustment for inflation). Although some funding increases were achieved in the past two biennia, formula rates are still far below those in the 2000-01 biennium.

To highlight the need to close the “formula funding gap”, HRIs have not requested any structural changes to the formulas for the 2018-19 biennium.

Within this background and framework, the committee respectfully presents its recommendations to the Commissioner’s charges.

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## **Attachment A**

### **Texas Higher Education Coordinating Board Commissioner's Charge to the Health-Related Institutions Formula Advisory Committee (HRIFAC) For the FY 2018-2019 Biennium**

**Background:** As a part of the biennial legislative funding process in Texas, the Health-Related Institutions Formula Advisory Committee (HRIFAC) makes formal recommendations for formula funding for health-related institutions. This process is similar to other formula advisory committees for academic institutions and community and technical colleges.

The HRIFAC will meet during the summer and fall of 2015 to discuss formula elements and make a formal recommendation in regard to funding amounts for FY 2018-19 to the Commissioner of Higher Education in December of 2015.

The current formulas for determining funding levels at health-related institutions were developed for the FY 2000-01 biennium. Starting in the FY 2006-07 biennium, the formula for Graduate Medical Education was added to fund medical resident education. For the FY 2008-09 biennium, two pieces of the mission specific formula for The University of Texas M. D. Anderson Cancer Center were consolidated into one new formula, Cancer Center Operations. For the FY 2010-11 biennium, the mission specific formula for The University of Texas Health Science Center at Tyler was changed to Chest Disease Center Operations and the revised formula includes appropriations previously made outside the formula for patient care activities.

The formula recommendations under discussion relate to appropriations in the bill patterns of the health-related institutions, and in the case of Graduate Medical Education for Baylor College of Medicine, funding which is appropriated to the Coordinating Board.

The key elements of each of the health-related institution formulas are summarized below.

#### **Instructions & Operations (I&O)**

The Instruction and Operations (I&O) formula is allocated on a full-time student equivalent (FTSE) basis with a funding weight predicated on the instructional program of the student. Programs with enrollments of less than 200 receive a small class size supplement of either \$20,000 or \$30,000 per FTSE depending upon the program. The small class size supplement addresses the small classes offered at the main campus and at remote satellite sites. The supplement is calculated based on a sliding scale that decreases as the enrollment approaches the 200 limit and is in addition to the base I&O formula amount.

The Legislature appropriated a base value rate of \$9,829 per FTSE for the FY 2016-17 biennium. Formula weights for each discipline, the related amount per FTSE for the small class size supplement, and the calculated funding amount for one student are provided in the following table:

Program	Formula Weight	Small Class Size Supp.	Funding Amt. for One Student
Allied Health	1.000	\$ 20,000	\$ 9,829
Health Informatics (Allied Health)	1.000	\$ 20,000	\$ 9,829
Biomedical Science	1.018	\$ 20,000	\$ 10,006
Nursing - Undergraduate	1.138	\$ 20,000	\$ 11,185
Nursing - Graduate	1.138	\$ 20,000	\$ 11,185
Pharmacy	1.670	\$ 20,000	\$ 16,414
Public Health	1.721	\$ 20,000	\$ 16,916
Dental Education	4.601	\$ 30,000	\$ 45,223
Medical Education	4.753	\$ 30,000	\$ 46,717

The I&O formula represents 77.5 percent of total I&O, Infrastructure, and Research Enhancement funding to the health-related institutions, an increase of 0.12 percent over the prior biennium.

The All Funds, I&O formula, funding appropriation of \$1.17 million represents an 8 percent increase in funding over the FY 2014-15 biennium, compared to a 6 percent increase in FTSE.

The I&O funding rate for FY 2016-17 represents 89 percent of the funding requested by the Committee in 2013.

## Infrastructure

The Infrastructure formula provides for utilities and physical plant support. The formula is based upon the predicted square footage of the HRI space model. The space model projection is based on the following elements:

- Research - research expenditures or reported faculty FTE
- Office - faculty, staff and net E&G expenditures
- Support - % of total prediction of other factors
- Teaching - level/programs areas of credit hours
- Clinical - actual clinical space used for instruction

The FY 2008-09 HRIFAC outlined and approved the application and approval process for the inclusion of any additional sites to qualify for the multi-campus adjustment to the space projection model for health-related institutions. The Committee recommended the following criteria for qualification for a Multi-Campus Adjustment site:

- The site must be specifically authorized by Legislative actions (such as a rider or change to the statute to establish the separate site of the campus).
- The site shall not be in the same county as the parent campus.
- There may be more than one site (a recognized campus entity or branch location) in the separate location if the separate site meets all of the criteria for eligibility.
- The facilities must be in the facilities inventory report certified by the institution at the time the space projection model is calculated.
- The parent campus must demonstrate responsibility for site support and operations.

- Only the E&G square feet of the facilities are included in the calculation of the space projection model.

The Infrastructure rate per predicted square foot appropriated for FY 2016-17 is as follows:

HRIs except UT M. D. Anderson Cancer Center & UT Health Science Center at Tyler	\$	6.65
UT M. D. Anderson Cancer Center & UT Health Science Center at Tyler	\$	6.26

The Infrastructure formula represents 17.6 percent of total I&O, Infrastructure, and Research Enhancement funding to the health-related institutions, a decrease of 0.16 percent over the prior biennium. The FY 2016-17 total formula funding appropriation of \$265.4 million represents a 6.87 percent increase from the FY 2014-15 biennium, compared to a 6.0 percent increase in predicted square feet.

The Infrastructure funding rate for FY 2016-17 represents 70.2 percent of the funding requested by the Committee in 2013.

### **Research Enhancement**

Health-related institutions generate state appropriations to support research from the Research Enhancement formula. The Research Enhancement formula provides a base amount of \$1,412,500 for all institutions regardless of research volume. To the base amount each institution receives an additional 1.23 percent of its research expenditures as reported to the Coordinating Board.

The Research Enhancement formula represents 4.9 percent of total I & O, Infrastructure, and Research Enhancement funding to the HRIs, an increase of 0.03 percent over the prior biennium. The FY 2016-17 total formula funding appropriation of \$74.6 million represents an 8.56 percent increase over the amounts for the FY 2014-15 biennium, compared to a 5.73 percent increase in research expenditures.

The Research Enhancement funding rate for FY 2016-17 represents 67.1 percent of the rate requested by the Committee in 2013.

### **Mission Specific**

Mission specific formulas provide instruction and operations support funding for The University of Texas M. D. Anderson Cancer Center and The University of Texas Health Science Center at Tyler. Total funding for the FY 2016-17 biennium is as follows:

- The Cancer Center's total formula funding appropriations are \$264.8 million, an increase of 6.98 percent for the FY 2016-17 biennium.
- The Health Science Center's total formula funding appropriations are \$58.4 million, an increase of 6.98 percent for the FY 2016-17 biennium.

Mission Specific funding for FY 2016-17 represents 88.5 percent of the amount requested by the Committee in 2013.

## **Graduate Medical Education**

The formula for bill pattern Graduate Medical Education began with the FY 2006-07 biennium. Graduate Medical Education formula funds provide support for qualified Accreditation Council for Graduate Medical Education (ACGME) and American Osteopathic Association (AOA) medical residents trained by state health-related institutions in Texas. Residents at the Baylor College of Medicine are funded at the same rate as other institutions through an appropriation to the Coordinating Board to be distributed to Baylor.

For the FY 2016-17 biennium, a total of \$70.2 million was appropriated for Graduate Medical Education, an increase of 30.7 percent over FY 2014-15, compared to a 6.88 percent increase in residents. Appropriations provide \$6,266 per resident per year.

The GME formula funding rate for FY 2016-17 represents 94.1 percent of the rate requested by the Committee in 2013. Additional GME funding of \$53 million was trustee to the Coordinating Board for FY 2016-17.

## **Commissioner's Charges**

Similar to the other formula advisory committees, the HRIFAC is asked to conduct an open, public process, providing opportunities for all interested persons, institutions, or organizations that desire to provide input on formula funding issues to do so. At the end of this process, the HRIFAC should provide the Commissioner with a written report of the Committee's recommendations by December 15, 2015, on the following specific charges:

- 1 Study and make recommendations for the appropriate funding levels for the instruction and operation (I&O), infrastructure, research enhancement, graduate medical education, and mission specific formulas. (General Appropriations Act, HB 1, 84th Texas Legislature, Section 28.8, page III-250)
- 2 Study and make recommendations for the appropriate I&O formula weights.
- 3 Study and make recommendations for the inclusion and weight of specialty programs in the I&O formula.
- 4 Study and make recommendations on changes to the funding model that will enable institutions to meet the goals of *60x30TX*.



## Attachment B

### HEALTH-RELATED INSTITUTIONS FORMULA ADVISORY COMMITTEE FOR THE FY 2018-2019 BIENNium

Name/Title	Institution/Address	Email/Phone/Fax
<b><u>Institution Representatives:</u></b>		
<b>Mr. Elmo M. Cavin</b> Executive Vice President	Texas Tech University Health Sciences Center 3601 4th Street Lubbock, TX 79430	<a href="mailto:elmo.cavin@ttuhsc.edu">elmo.cavin@ttuhsc.edu</a> (806) 743-3080 FAX (806) 743-2910
<b>Dr. Barry C. Nelson</b> Vice President for Finance and Administration	Texas A&M University System Health Science Center Clinical Building 1, Ste 4130 8441 State Hwy 47 Bryan, TX 77807	<a href="mailto:nelson@tamhsc.edu">nelson@tamhsc.edu</a> (979) 458-7252 FAX (979) 458-6477
<b>Dr. Elizabeth Protas</b> Dean of the School of Health Professions	The University of Texas Medical Branch at Galveston 301 University Blvd. Galveston, TX 77555-0126	<a href="mailto:ejprotas@utmb.edu">ejprotas@utmb.edu</a> (409) 772-3001 FAX (409) 747-0772
<b>Mr. Kevin Dillon</b> Executive Vice President, Chief Operating & Financial Officer	The University of Texas Health Science Center at Houston PO Box 20036 Houston, TX 77225-0036	<a href="mailto:kevin.dillon@uth.tmc.edu">kevin.dillon@uth.tmc.edu</a> (713) 500-4952 FAX (713) 500-3805
<b>Mr. Weldon Gage</b> Senior Vice President & Chief Financial Officer	The University of Texas M. D. Anderson Cancer Center 1515 Holcombe Blvd., Box 95 Houston, TX 77030	<a href="mailto:wgage@mdanderson.org">wgage@mdanderson.org</a> (713) 794-5162 FAX (713) 745-1034
<b>Ms. Andrea Marks (Vice- Chair)</b> Vice President of Business and Finance	The University of Texas Health Science Center at San Antonio 7703 Floyd Curl Drive San Antonio, TX 78229-3900	<a href="mailto:marksa@uthscsa.edu">marksa@uthscsa.edu</a> (210) 567-7020 FAX (210) 567-7027
<b>Mr. Bob Armstrong</b> Associate Vice President, Controller	The University of Texas Health Center at Tyler 11937 US Hwy 271 Tyler, TX 75708	<a href="mailto:bobby.armstrong@uthct.edu">bobby.armstrong@uthct.edu</a> (903) 877-7470 FAX (903) 877-7494
<b>Mr. John Harman (Chair)</b> Vice President for Business and Finance	University of North Texas Health Science Center at Fort Worth 3500 Camp Bowie Blvd. Fort Worth, TX 76107-2644	<a href="mailto:John.Harman@unthsc.edu">John.Harman@unthsc.edu</a> (817) 735-2523 FAX (817) 735-5050
<b>Ms. Angelica Marin-Hill</b> Vice President for Government Affairs	The University of Texas Southwestern Medical Center at Dallas 5323 Harry Hines Blvd. Dallas, TX 75390-9131	<a href="mailto:angelica.marin-hill@utsouthwestern.edu">angelica.marin-hill@utsouthwestern.edu</a> (214) 648-9068 FAX (214) 648-3604

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## Attachment C

### Health-Related Institutions Formula Advisory Committee Meeting 1:00 P.M. Texas Higher Education Coordinating Board August 12, 2015

#### Minutes

#### Members:

Elmo M. Cavin - TTUHSC	Present
Barry Nelson - TAMHSC	Present
Elizabeth Protas - UTMB	Absent
Kevin Dillon – UTHSCH	Present
Weldon Gage – M.D. Anderson	Absent
Andrea Marks - UTHSCSA	Present
Vernon Moore – UTHSCT	Absent
John Harman - UNTHSC	Present
Angelica Marin-Hill - UTSWMC	Present
John McCall – UT-Austin Dell	Present
Richard Lange – TTUHSC-El Paso	Present
Mirna Gonzalez – UTRGV	Present

#### Agenda Item I: introductions

Andrea Marks convened the meeting in the Tejas Room of the Texas Higher Education Coordinating Board following the General Session.

#### Agenda Item II: Consideration of the election of a Chair and Vice Chair

Andrea Marks opened the meeting by requesting nominations for the new Chair for the Health-Related Formula Advisory Committee. Elmo Cavin nominated John Harman as the Chair. The nomination was seconded and Mr. Harman was voted as the new Chair.

Mr. Harman continued the meeting by requesting nominations for the new position of Secretary. Barry Nelson nominated Kevin Dillon as the Secretary. The nomination was seconded and Mr. Dillon was voted as the new Secretary.

Mr. Harman then requested nominations for the position of Vice-Chair. Elmo Cavin nominated Andrea Marks as Vice-Chair. The nomination was seconded and Ms. Marks was voted as the new Vice-Chair.

#### Agenda Item III: Briefing on health-related institutions funding formula

Ed Buchanan from the Coordinating Board staff briefly reviewed the formula funding schedules and amounts for FY 2016-17.

#### Agenda Item IV: Discussion of Commissioner's charges to the Committee

John Harman reviewed the Commissioner's charges to the committee.

The committee reviewed and discussed Commissioner's Charge #1 related to making recommendations for the appropriate funding levels for the I&O, infrastructure, research enhancement, GME, and mission specific formulas. The impact of the two new medical schools

in Austin and Rio Grande Valley was discussed as well as a request from the Legislative Budget Board (LBB) for options in how these two institutions should be included for formula funding purposes. In addition, there was discussion related to the infrastructure formula and part of the calculation for predicted square feet that results from Current E&G Expenditures reported on institution's Sources and Uses document. It was determined two workgroups would be needed: one for the LBB request on the two new medical schools led by Andrea Marks and a second on the infrastructure formula led by Kevin Dillon. The workgroups are made up of the entire committee.

The committee reviewed and considered the Commissioner's Charge #2 related to recommendations for the appropriate I&O formula weights. Elmo Cavin made a motion to adopt the current weights for the I&O formula. The motion was seconded and approved by the committee.

The committee then reviewed and considered Commissioner's Charge #3 related to making recommendations for the inclusion and weight of specialty programs in the I&O formula. Andrea Marks made a motion that there not be any new weights for specialty programs. The motion was seconded and approved by the committee.

The committee then reviewed and discussed Commissioner's Charge #4 related to changes to the funding model that will enable institutions to meet the goals of 60x30TX.

Kevin Dillon agreed that his institution would update the HRI state workforce metrics used in the Executive Summary of the committee report after the reporting organizations release their data in November.

#### **Agenda Item V: Discussion of dates and assignments for subsequent meetings**

The future meeting dates were reviewed, and the committee agreed to meet according to the previously published schedule.

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#### **Agenda Item VI: Adjourn**

With no other discussion, the committee voted to adjourn.

**Health-Related Institutions  
Formula Advisory Committee Meeting 10:00 A.M.  
Texas Higher Education Coordinating Board  
September 9, 2015**

**Minutes**

**Members:**

Elmo M. Cavin - TTUHSC	Present
Barry Nelson - TAMHSC	Present
Elizabeth Protas - UTMB	Present
Kevin Dillon – UTHSCH	Present
Weldon Gage – U.T. M.D. Anderson	Present (by phone)
Andrea Marks - UTHSCSA	Present
Bob Armstrong – UTHSCT New Member	Present
John Harman - UNTHSC	Present
Angelica Marin-Hill - UTSWMC	Present
John McCall – UT-Austin Dell	Present
Richard Lange, MD – TTUHSC-EI Paso	Present
Mirna Gonzalez – UTRGV	Present

**Agenda Item I: Call to order**

John Harman convened the meeting in the Board Room of the Texas Higher Education Coordinating Board.

**Agenda Item II: Consideration and approval of the minutes**

Andrea Marks moved to approve the minutes from the previous meeting, and the committee voted to approve the minutes.

**Agenda Items III and IV: Receive reports from workgroups/consideration and discussion of workgroup reports**

John Harman noted that the committee approved current program weights and specialties at the previous meeting.

Andrea Marks provided a report on the recommendations of the workgroup on formula funding for the new medical schools. She discussed the guiding principles the workgroup developed and proposed that a new weight within the general academic institutions be created to fund the discipline of medicine at UT Austin and UTRGV. Elmo Cavin moved that the report be adopted.

John McCall moved to table the motion until the next meeting to allow for more time for discussion with leadership at the affected institutions.

The motion to table the motion prevailed.

Kevin Dillon provided a report on behalf of the workgroup recommending changes to the infrastructure formula. He noted that the institutions were in the process of gathering information about the currently reported inputs for the infrastructure formula and that the workgroup will meet again and report additional progress at the October meeting.

## **Agenda Item V: Consideration, discussion, and approval of formula rates**

Ed Buchanan from the Coordinating Board staff provided data requested at the previous meeting estimating the cost and percentage increase in appropriations that would be required to apply the 2000-2001 rates in the upcoming biennium.

Elmo Cavin asked that the data for the two new medical schools be presented separately rather than as part of the aggregate total for all HRIs.

John Harman moved that the committee continue to recommend a return to the 2000-2001 rates for the 2018-2019 biennium for the I&O, Infrastructure, and Research Enhancement formulas, as well as the GME rate that was recommended in the previous legislative session. The committee approved the motion.

## **Agenda Items VI & VII: Consideration, discussion, and reapproval of the current I&O formula weights and programs and determination of whether new weights should be requested or specialties assigned separate weights**

John Harman noted that both issues were resolved at the previous meeting when the committee voted not to recommend new weights or assign separate weights to specialty programs.

## **Agenda Item VIII: Consideration, discussion, and approval of the HRIFAC draft report**

John Harman noted that the HRIFAC draft report would be ready in October and that it would include information underscoring the importance of formula funding, as well as the Coordinating Board's new 60x30 initiative.

## **Agenda Item IX: Planning for subsequent meetings**

The future meeting dates were reviewed, and the committee agreed to meet according to the previously published schedule, with the next meeting occurring on October 7 at 10:00 A.M.

John Harman reminded members to submit templates to Kevin Dillon.

## **Agenda Item X: Adjourn**

With no other discussion, the committee voted to adjourn.

**Health-Related Institutions  
Formula Advisory Committee Meeting 10:00 A.M.  
Texas Higher Education Coordinating Board  
October 7, 2015**

**Minutes**

**Members:**

Elmo M. Cavin - TTUHSC	Present
Barry Nelson - TAMHSC	Present
Elizabeth Protas - UTMB	Absent
Kevin Dillon – UTHSCH	Present (by phone)
Weldon Gage – UT MD Anderson	Present
Andrea Marks - UTHSCSA	Present
Bob Armstrong – UTHSCT	Present
John Harman - UNTHSC	Present
Angelica Marin-Hill - UTSWMC	Present
John McCall – UT-Austin Dell	Present
Richard Lange, MD – TTUHSC-EI Paso	Present
Mirna Gonzalez – UTRGV	Present

**Agenda Item I: Call to order**

John Harman convened the meeting in the Board Room of the Texas Higher Education Coordinating Board (THECB).

**Agenda Item II: Consideration and approval of the minutes**

Richard Lange requested that the minutes include the report from the workgroup on formula funding for the two new medical schools. Barry Nelson made a motion to include the report, and Weldon Gage seconded the motion. The minutes as amended were unanimously adopted.

**Agenda Item III: Discussion, review, and consideration of the Commissioner's 2018-2019 biennium charges**

Julie Eklund (THECB staff) provided an overview of the 60x30TX initiative.

John Harman recommended that the Committee consider old business.

Elmo Cavin made a motion to vote to approve the recommendations in the report provided at the previous meeting related to formula funding for the new medical schools.

John Harman suggested that since the motion to approve the report had been tabled in the previous meeting, there would need to be a subsequent motion to lay it on the table.

Elmo Cavin moved to lay the motion on the table, and Richard Lange seconded the motion. All others present opposed the motion.

Richard Lange then challenged the interpretation of the Chair based on the understanding that the Committee's intent at the previous meeting was not to table the motion, but rather to postpone its consideration to a time certain. Andrea Marks assumed the Chair to facilitate further discussion regarding the Committee's intent.

John McCall clarified that his intent at the previous meeting was to defer the vote on the

recommendations included in the report to provide ample opportunity to discuss them with his institutional leadership.

After discussion, the challenge to the chair's decision by Richard Lange was before the committee and Elmo Cavin seconded the challenge. The challenge prevailed by a vote of 7-3.

The question before the committee was the original motion to adopt the recommendations in the report provided by the workgroup on formula funding for the new medical schools that was offered by Elmo Cavin and seconded by Richard Lange. The motion failed by a vote of 2-9.

Ed Buchanan (THECB staff) then provided a summary of the updated worksheets reflecting the fiscal impact of a return to the 2000-2001 I&O, infrastructure, and research formula per unit rates and a return to the GME formulas recommended in the previous biennium.

John McCall moved that the statement below be included in the report clarifying that the new medical schools should be included in the HRI formulas.

*The University of Texas at Austin and The University of Texas Rio Grande Valley consider the best and only option available for the Dell Medical School and UT RGV School of Medicine, ensuring the most predictable and stable appropriations funding methodology, to be inclusion in the existing Health Related Institution (HRI) formula funding models. The HRI formulas best provide the mechanism for the distribution of general revenue appropriations for students, related predicted square footage, and research at UT Austin Dell Medical School and UT RGV School of Medicine.*

*Therefore, the recommendation is that the Dell Medical School and the UT RGV School of Medicine be included in the existing HRI formula funding models for I&O, infrastructure, and research, such that funding for each medical school is consistent with the principles and funding levels for the other medical programs included in the existing formulas.*

Barry Nelson seconded the motion.

Discussion ensued regarding the estimates included in the worksheets. Richard Lange and Kevin Dillon requested that the estimates be amended to reflect the impact on the formulas if the new medical schools, plus typical growth (e.g., in enrollment, in research expenditures, etc.), are added at current funding levels.

John Harman identified additional issues that might be addressed in the recommendations, including revised instructions for reporting by the new schools and assertions that existing HRIs not be negatively impacted by the inclusion of new medical schools in the HRI formulas.

Richard Lange asked if John McCall would consider amending his amendment to include a commitment that those GAls present would not pursue HRI formula funding for their other health-related programs (e.g., nursing or pharmacy schools, at GAls). McCall declined to amend his motion. The motion prevailed by a vote of 9-2.

Kevin Dillon provided a report from the infrastructure workgroup and moved the recommendation that the THECB, as part of the study directed to them in THECB Rider 55, work to provide consistency between the instructions for the various templates and reports health-related institutions complete and the space projection model instructions. Elmo Cavin seconded the motion, which was subsequently adopted unanimously.



**Agenda Item IV: Planning for subsequent meetings**

John Harman indicated that the next meeting is scheduled for November 4, 2015, at 10:00 A.M.

Discussion ensued regarding preparation of the draft report, and it was determined that the draft would be circulated prior to the November meeting to allow all members the opportunity to discuss with leadership and recommend changes.

**Agenda Item X: Adjourn**

With no other discussion, the committee voted to adjourn.

**Health-Related Institutions  
Formula Advisory Committee Meeting 10:00 A.M.  
Texas Higher Education Coordinating Board  
November 4, 2015**

**Minutes**

**Members:**

Elmo M. Cavin - TTUHSC	Present (by phone)
Barry Nelson - TAMHSC	Present
Elizabeth Protas - UTMB	Present
Kevin Dillon – UTHSCH	Present (by phone)
Weldon Gage – U.T. M.D. Anderson	Present
Andrea Marks - UTHSCSA	Present (by phone)
Bob Armstrong – UTHSCT	Present
John Harman - UNTHSC	Present
Angelica Marin-Hill - UTSWMC	Present
John McCall – UT-Austin Dell	Present
Richard Lange, MD – TTUHSC-EI Paso	Present
Mirna Gonzalez – UTRGV	Present

**Agenda Item I: Call to order**

John Harman convened the meeting in the Board Room of the Texas Higher Education Coordinating Board (THECB).

**Agenda Item II: Consideration and approval of the minutes**

Barry Nelson moved to approve the minutes from the previous meeting, and Elizabeth Protas seconded the motion. The committee voted to approve the minutes with a vote of 11-1.

**Agenda Item III: Discussion, review and consideration of the Commissioner's 2018-2019 Biennium charges and Agenda Item IV: Discussion, review, and consideration of the Committee's report to the Commissioner**

John Harman began discussion of the report and the committee's prior decision in the report to recommend a return to the 2000-01 rates. There was discussion that the overall cost of a full return to the 2000-01 rates would be substantial and a new modified approach was brought forward to recommend an increase equivalent to 1/3 of the difference in the 2016-17 rates and the 2000-01 rates.

The committee then turned to discussion of the growth assumptions in the various formulas that are being used in the cost estimates of the proposed committee recommendation, especially for the two new medical schools. THECB staff noted the estimates for the two new schools were provided by the institutions themselves. The two new schools will be reporting data separately from the academic in Sources and Uses and other reports.

Barry Nelson then moved adoption of the report subject to the completion of the data and metrics that need to be produced and recommend the use of the approach to recommend an increase equivalent to 1/3 of the difference in 2016-17 rates and the 2000-01 rates as discussed. Richard Lange seconded the motion. After discussion, John Harman as chair postponed motion to later in the meeting.

The committee discussed further the inputs from the two new medical schools and the need for

them to be reasonable. It was noted by the schools that they did their best to provide estimates in the timeframe provided earlier in the year and are willing to review and revise as necessary.

There was discussion related to GME costs in the report. It was recommended by the committee that the THECB study the education costs related to GME.

Discussion began on Handout #3 which is to replace language on page 4, paragraph 6 of the draft report provided related to the two new medical schools. Elmo Cavin made a motion to adopt the top half of Handout #3 with the exception of the first sentence which is replaced with the two paragraphs at the bottom of Handout #3. An amendment to the language clarifying that the Dell Medical School was not authorized by the Legislature but rather by The University of Texas System Board of Regents was proposed by John McCall and was adopted. An amendment adding "...since the creation of the HRI formulas" at the end of the sentence "These are the first and only Texas medical schools established within General Academic Institutions," was proposed by Barry Nelson and adopted. Richard Lange seconded the motion made by Cavin. The motion was adopted by a vote of 7-5.

John McCall made a motion to include a paragraph in the committee's report to explore future methods of funding to allocate funds to existing and future health institutions. Richard Lange seconded the motion. The motion was adopted unanimously. John McCall and Richard Lange will work on the draft language to be included.

The discussion returned to the estimated figures and data provided by the two new medical schools related to the infrastructure and research formulas. Richard Lange made a motion to have the two new medical schools provide updated estimates for the infrastructure and research formulas to be incorporated into the report. John Harman seconded the motion. The motion was adopted unanimously.

John Harman brought back for consideration the Barry Nelson motion on adoption of the report that was postponed earlier that had previously been seconded. The motion was adopted unanimously.

#### **Agenda Item V: Planning for subsequent meetings**

Discussion ensued regarding continued preparation of the draft report, and it was determined that the draft would be circulated to allow all members to review updated formula calculations.

#### **Agenda Item VI: Adjourn**

With no other discussion, the committee voted to adjourn.