Texas Health-Related Institutions Funding Formulas for the 2006-2007 Biennium

Recommendations of the Formula Advisory Committee

February 23, 2004

2. Summary of Committee Activities

The Commissioner of Higher Education delivered his charge to the Health-Related Institutions Formula Advisory Committee (HR FAC) at its first meeting on September 17, 2003. The HRIFAC held three additional meetings between October 2003 and December 2003, and its subcommittees met several times during that same time period. A list of HRIFAC members is provided in Appendix A. There was a subcommittee established to study and make recommendations to the full committee on each aspect of the formula. The subcommittees, followed by the name of the chairman, were as follows:

- Instruction and Operations Support; Richard Moore
- Infrastructure Support; S. Harry Lynch
- Research Funding; Dr. Gilbert Castro
- Mission Specific Support; Harry Holmes

In an effort to comply with the Commissioner's charge to conduct an open, public process, all meetings of the HRIFAC were posted in the *Texas Register* and time for a public hearing was provided at the second meeting of the committee.

The HRIFAC addressed each of the Commissioner's charges (Appendix B) presented by him at the September 2003 meeting. No action is recommended at this time on three of the charges.

- The HRIFAC reviewed the appropriateness and equity of the health-related institutions space projection and concluded that a change should not be recommended.
- The HRIFAC also considered the accuracy and consistency of reporting enrollment data used in formula variables, and concluded that no action need be taken on that issue at this time.
- The HRIFAC also considered the appropriateness of the Small Program Supplement and concluded that no action need be taken on that issue at this time.

Each of the remaining charges is addressed in a recommendation in the following section.

3. Formula Recommendations

The HRIFAC recommends additional appropriations to implement the following recommendations based on the premise that the recommended changes are corrections or adjustments needed to improve the accuracy of formula outcomes. Appendix C contains proposed formula language (reflective of the following recommendations) for the 2006-2007 Biennium.

The members of the HRIFAC made an overarching statement regarding the implementation of potential changes to the formula. The HRIFAC recommends that no changes be made to any formula component until each institution receives the level of funding each received in the 2002-2003 biennium (before the 7 percent cuts). Other recommended adjustments should be implemented after the base year data for the 2004-2005 biennium are multiplied by the 2002-

2003 biennium funding rates for instruction and operations, infrastructure, and research.

Instruction & Operations Support

A. Restore the Base Value Per Weighted Student from its present value of $9,934 to the 2002-2003 biennium value of $11,776.

B. Create a new rate for graduate nursing programs – masters and doctoral levels - and set the rate at 110 percent of the current nursing rate. The HRIFAC believes that this will encourage graduate enrollment and compensate for the higher costs associated with the low student-to-faculty ratio required for the graduate-level programs. This recommendation is consistent with the charge to assess the effectiveness of funding to target critical workforce shortage areas in the state.

C. Adjust the weight per student for Biomedical Science from 1.018 to 1.292 to reflect the costs of biomedical education more accurately.

D. Establish a program for students in Health Informatics at the same weight as that of Graduate Biomedical Sciences - 1.292 (Health Informatics is currently funded at the Allied Health rate). The University of Texas Health Science Center at Houston phased out the School of Allied Health Sciences, including its traditional undergraduate and certificate offerings. The school was renamed by action of The University of Texas System, Texas Higher Education Coordinating Board, and Texas Legislature in fiscal year 2001 to be School of Health Information Sciences and now offers only Masters and Doctoral degrees in Health Informatics. As of August 31, 2003, there have been 32 masters' degrees and a doctoral degree awarded. Health Informatics is populated by students who already possess an undergraduate degree and in many cases a professional health degree (MD, DDS, and DSN) or a PhD. degree in a biomedical science area. Thus, Health Informatics at The University of Texas Health Science at Houston should be reported and calculated at the same rate as a component of Biomedical Science (1.292). This rate is based on the cost and complexity of the evolving field of Health Informatics that is growing into new areas, i.e., computational biomedicine, large scale health information systems (including patient record databases), analysis of complex images or electronic signals, intelligent drug design, innovative drug delivery systems, systems/process design to reduce medical errors and increase patient safety, and health educational technology design and evaluation.

E. Provide a supplement equal to 10 percent above the applicable funding weight to each public health-related institution for every enrolled African American and Hispanic student. These particular minorities have been identified as being the two most underrepresented minority student groups at Texas' health-related institutions. This recommendation supports the participation component of *Closing the Gaps*.

Infrastructure Support

A. Increase the amounts contained in the infrastructure formula to the levels provided for in the 2002-03 biennium. The rate per square foot for The University of Texas M.D. Anderson Cancer Center and The University of Texas Health Center at Tyler would change from $9.31 to $11.51, and the rate for all others would change from $9.43 to $11.54.

Research

A. Under the current formula, each Health-Related Institution annually receives a base amount of $1,412,500 plus an amount equal to 2.15 percent of each institution's research expenditures as reported to the Texas Higher Education Coordinating Board. The HRIFAC 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 Health-Related Institutions to leverage state dollars. Accordingly, the HRIFAC recommends that additional General Revenue funds be made available to raise the research factor percentage from 2.15 percent to 5 percent. These funds should be made available as an incentive to generate greater leveraging of state general revenue.

This recommendation is closely associated with *Closing the Gaps* as the recommendations are intended to enhance the institutions' research capability, thereby supporting the research goal; and in health-related institutions, excellence is highly correlated with research, so enhancing their research capability also enhances excellence at those institutions.

Mission Specific Support

In addition to the original formula items for instruction and operations, infrastructure support, and research funding, the Legislature included a Mission Specific Support formula for the 2006-2007 biennium to recognize the research, outreach, and training programs that take place at The University of Texas M.D. Anderson Cancer Center and The University of Texas Health Center at Tyler.

Funding allocated to The University of Texas M.D. Anderson Cancer Center is based on a formula whereby each new cancer case reported during each of the fiscal years of the biennium is multiplied by an established rate per new cancer case. The HRIFAC recommends changing the reimbursement to The University of Texas Health Center at Tyler from the number of chest disease admissions to the number of emphysema, chronic bronchitis, asthma, pneumonia, cystic fibrosis and sleep apnea cases; and the number of smoking-related chest and respiratory disease to make use of more reliable data sources.

The HRIFAC also recommends that the established rates for each mission specific calculation be returned to the rates provided in the 2002-2003 biennium.

This concludes the recommendations adopted by the HRIFAC.

Appendix A

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Appendix B

Texas Higher Education Coordinating Board
Commissioner's Charge
To The
Health-Related Formula Advisory Committee
September 17, 2003

- Conduct an open, public process, providing opportunities for all interested persons, institutions, or organizations that desire to provide input to do so.

- Propose formulas with appropriate levels of funding and financial incentives necessary to best achieve the four major goals included in the *Closing the Gaps.*
    - Assess the effectiveness of the HRI funding formula in targeting the state's critical workforce shortages. Make recommendations as appropriate.
    - Examine the appropriateness of the formula for the Small Program Supplement. Make recommendations as appropriate.

- Review the appropriateness and equity of the health-related institutions space projection model and the Infrastructure formula, and make recommendations as appropriate.

- Assess the accuracy and consistency with Coordinating Board guidelines of reported enrollment data used as formula variables, and make recommendations as appropriate.

- Conduct such other studies and make recommendations as the committee deems appropriate.

- Provide a written report of the committee's activities and recommendations by February 1, 2004.

Appendix C

Proposed Appropriations Bill Language for the Health-Related Institutions Funding Formula

Health Related Institutions Funding. Funding for health related institutions shall consist of four formulas plus supplemental non-formula items.

1. Instruction and Operations Support Formula. The Instruction and Operations Support Formula shall provide funding on a per student or full time equivalent basis. Funding for each instructional program is based on the following funding weights per student, with a base value per weighted student of $11,776.

Program	Weight Per Student
Allied Health	1.000
Biomedical Science	1.292
Heath Informatics	1.292
Nursing – Undergraduate	1.138
Nursing – Graduate	1.252
Pharmacy	1.670
Public Health	1.721
Dental	4.601
Medical	4.753

Small Class Supplement. Instructional programs with enrollments of less than 200 students at individual campuses shall receive additional funding to compensate for the diseconomies of scale. The minimum formula shall generate additional funding per student, on a sliding scale, for programs with small enrollments receiving additional funding per student. The formula shall provide a different rate for small enrollments at a remote site versus small enrollments at the home campus.

2. Infrastructure Support Formula. Funding to the health-related institutions for plant support and utilities shall be distributed by the infrastructure support formula which is driven by the predicted square feet for the health related institutions produced by the Space Projection Model developed by the Texas Higher Education Coordinating Board. For all Health-Related Institutions, excluding The University of Texas M. D. Anderson Cancer Center and The University of Texas Health Center at Tyler, the infrastructure support formula is funded with general revenue and tuition and fee revenue at a rate of $ 11.54 per square foot. Since The University of Texas M.D. Anderson Cancer Center and The University of Texas Health Center at Tyler have no tuition or fee revenue, their infrastructure support funding is calculated at a rate of $ 11.51 per square foot, which represents the GR portion of the rate used for the other HRIs.

   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, The University of Texas M. D. Anderson Cancer Center, and The University of Texas Health Center at Tyler shall be included in the total funding for hospital and

patient care activities.

3. Research Funding. The health-related institutions shall retain 100 percent of indirect research costs recovered on grants. Each institution also receives research enhancement funding of $1,412,500 for FY2004 and $1,412,500 for FY2005 plus 5.00 percent of its research expenditures as reported to the Texas Higher Education Coordinating Board and contained in the Board's publication titled *Expenditures for Research and Other Sponsored Projects*.

4. Supplemental Non-formula Items. Institutions shall receive a direct reimbursement as applicable for staff group insurance, workers compensation insurance, unemployment insurance, public education grants, medical loans, tuition revenue bond payments, and facility lease charges. Institutions may receive an appropriation for special items. Hospital and clinic operations shall be funded through a combination of hospital and clinic revenue and general revenue.

6. Formula Study Committees. The formulas shall be reviewed and updated by study committees appointed by the Texas Higher Education Coordinating Board and recommended changes forwarded to the Legislature, Legislative Budget Board, and Governor's Office by June 1, 2006.

7. Mission Specific Support. The University of Texas M.D. Anderson Cancer Center and the University of Texas Health Center at Tyler do not provide formal medical education that qualifies for instruction support under subsection 1 above. Therefore, funding allocated to these institutions shall be based on the following criteria:

a. The University of Texas M.D. Anderson Cancer Center has a statutory mission to eliminate cancer through patient care, research, education, and prevention. General Revenue funds appropriated to The University of Texas M.D. Anderson Cancer Center in Strategy B.1.3, Science Park Operations, and Strategy D.1.1, Patient Care Activities, shall be based on the number of new cancer cases each year based upon population estimate projections of the state produced by the Texas State Data Center and California State Center Registry incidence rates used as a methodological source by cancer epidemiologists in Texas and throughout the country. General Revenue appropriations for fiscal year 2006 shall be based on the number of new cancer cases reported in 2003, and General Revenue appropriations for fiscal year 2007 shall be based on the number of new cancer cases reported in 2004. The rate per new cancer case shall be $70.55 in fiscal year 2006 and $68.97 in fiscal year 2007 for Strategy B.1.3, Science Park Operations; and $318.94 in fiscal year 2006 and $311.96 in fiscal year 2007 for Strategy D.1.1, Patient Care Activities.

b. The University of Texas Health Center at Tyler has a statutory mission to conduct research, develop diagnostic and treatment techniques, provide training and teaching programs, and provide diagnosis and treatment of inpatients and outpatients with respiratory diseases. General Revenue funds appropriated to The University of Texas Health Center at Tyler in Strategy A.1.1, Medical Education and Research items, shall be based on chest and respiratory disease rates determined by (a) the number of chest disease admissions each year in Texas as reported by participating Texas hospitals to

the Texas State Department of Health Services, (b) the number of new lung cancer cases and the number of emphysema, chronic bronchitis and asthma cases based upon population estimate projections of the state produced by the Texas State Data Center and incidence and prevalence rates published by the American Lung Association, (c) number of pneumonia cases based upon population estimate projections of the state produced by the Texas State Data Center and incidence rates published by the Infectious Disease Society of America, (d) the number of cystic fibrosis cases based upon population estimate projections of the state produced by the Texas State Data Center and prevalence rates published by the CF Foundation (e) the number of sleep apnea cases based upon population estimate projections of the state produced by the Texas State Data Center and prevalence rates published by the National Commission on Sleep Disorders, and (f) the number of smokers based upon population estimate projections of the state produced by the Texas State Data Center and the percent of current smokers published by the Center for Disease Control in its Behavioral Risk Factor Surveillance System. General Revenue appropriations for Fiscal Year 2005 shall be based on the number of chest disease admissions, the number of emphysema, chronic bronchitis, asthma, pneumonia, cystic fibrosis and sleep apnea cases and number of smokers reported in 2001, and General Revenue appropriations for Fiscal Year 2006 shall be based on the chest disease admissions, the number of emphysema, chronic bronchitis, asthma, pneumonia, cystic fibrosis, sleep apnea cases and smokers reported in 2002. The rate per chest disease admission, per case of emphysema, chronic bronchitis, asthma, pneumonia, cystic fibrosis, and sleep apnea and per smoker shall be $4.65 for Fiscal Year 2006 and $4.34 for Fiscal Year 2007.

c. The University of Texas M.D. Anderson Cancer Center and The University of Texas Health Center at Tyler shall submit to the Legislative Budget Board, Governor's Office, and Texas Higher Education Coordinating Board a copy of the appropriate reports discussed above and supporting documentation which provides the necessary information to calculate the formula allocations in subsections (a) and (b) above.